

NEW ISSUE

NOT RATED

THE SERIES 2022 BONDS ARE INITIALLY OFFERED ONLY TO “ACCREDITED INVESTORS” (AS DEFINED IN RULE 501 OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT OF 1933) AND “QUALIFIED INSTITUTIONAL BUYERS” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT OF 1933). SEE “LIMITATIONS APPLICABLE TO INITIAL PURCHASERS.”

In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel to the City, interest on the Series 2022 Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations, published rulings and court decisions existing on the date of such opinion, subject to the matters described under “TAX MATTERS.”

\$11,735,000*

CITY OF SINTON, TEXAS

(a municipal corporation of the State of Texas located in San Patricio County)

SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2022

(SOMERSET PUBLIC IMPROVEMENT DISTRICT NO. 1)

Dated Date: January 1, 2022

Due: September 1, as shown on page i

The City of Sinton, Texas, Special Assessment Revenue Bonds, Series 2022 (Somerset Public Improvement District No. 1) (the “Series 2022 Bonds”), are being issued by the City of Sinton, Texas (the “City”). The Series 2022 Bonds will be issued in fully registered form, without coupons, in authorized denominations of \$100,000 of principal amount and any integral multiple of \$1,000 in excess thereof. The Series 2022 Bonds will bear interest at the rates set forth on page i hereof, calculated on the basis of a 360-day year of twelve 30-day months, payable on each March 1 and September 1, commencing September 1, 2022* until maturity or earlier redemption. The Series 2022 Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. No physical delivery of the Series 2022 Bonds will be made to the beneficial owners thereof. For so long as the book-entry-only system is maintained, the principal of and interest on the Series 2022 Bonds will be paid from the sources described herein by UMB Bank, N.A., Austin, Texas, as trustee (the “Trustee”), to DTC as the registered owner thereof. See “BOOK-ENTRY-ONLY SYSTEM.”

The Series 2022 Bonds are being issued by the City pursuant to the Public Improvement District Assessment Act, Subchapter A of Chapter 372, Texas Local Government Code, as amended (the “PID Act”), an ordinance expected to be adopted by the City Council of the City (the “City Council”) on January 18, 2022 and an Indenture of Trust, dated as of January 1, 2022 (the “Indenture”), entered into by and between the City and the Trustee.

Proceeds of the Series 2022 Bonds will be used to provide funds for (i) paying a portion of the Actual Costs of the Authorized Improvements (each as defined herein), (ii) paying a portion of the interest on the Series 2022 Bonds during and after the period of acquisition and construction of the Authorized Improvements, (iii) funding the Reserve Account Requirement (as defined herein) attributable to the Series 2022 Bonds, (iv) paying a portion of the costs incidental to the organization and administration of the Somerset Public Improvement District No. 1 (the “District”), and (v) paying the costs of issuance of the Series 2022 Bonds. See “AUTHORIZED IMPROVEMENTS” and “APPENDIX B — Form of Indenture.” Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Indenture.

The Series 2022 Bonds, when issued and delivered, will constitute valid and binding special, limited obligations of the City payable solely from and secured by the Pledged Revenues (as defined herein), consisting primarily of the Assessments (as defined herein) levied against assessable properties in the District in accordance with a Service and Assessment Plan (as defined herein) and other funds comprising the Trust Estate (as defined herein), all to the extent and upon the conditions described herein. The Series 2022 Bonds are not payable from funds raised or to be raised from taxation. See “SECURITY FOR THE BONDS.” The Series 2022 Bonds are subject to redemption at the times, in the amounts, and at the redemption price more fully described herein under the subcaption “DESCRIPTION OF THE SERIES 2022 BONDS — Redemption Provisions.”

The Series 2022 Bonds are the initial series of Bonds to be issued under the Indenture. The Series 2022 Bonds involve a significant degree of risk and are not suitable for all investors. See “BONDHOLDERS’ RISKS” and “SUITABILITY FOR INVESTMENT.” Prospective purchasers should carefully evaluate the risks and merits of an investment in the Series 2022 Bonds, should consult with their legal and financial advisors before considering a purchase of the Series 2022 Bonds, and should be willing to bear the risks of loss of their investment in the Series 2022 Bonds. The Series 2022 Bonds are not credit enhanced or rated and no application has been made for a rating on the Series 2022 Bonds.

THE SERIES 2022 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE PLEDGED REVENUES AND OTHER FUNDS COMPRISING THE TRUST ESTATE, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. THE SERIES 2022 BONDS DO NOT GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWER OF THE CITY AND ARE PAYABLE SOLELY FROM THE SOURCES IDENTIFIED IN THE INDENTURE. THE OWNERS OF THE SERIES 2022 BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF OUT OF MONEY RAISED OR TO BE RAISED BY TAXATION, OR OUT OF ANY FUNDS OF THE CITY OTHER THAN THE PLEDGED REVENUES, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. NO OWNER OF THE SERIES 2022 BONDS SHALL HAVE THE RIGHT TO DEMAND ANY EXERCISE OF THE CITY’S TAXING POWER TO PAY THE PRINCIPAL OF THE SERIES 2022 BONDS OR THE INTEREST OR REDEMPTION PREMIUM, IF ANY, THEREON. THE CITY SHALL HAVE NO LEGAL OR MORAL OBLIGATION TO PAY THE SERIES 2022 BONDS OUT OF ANY FUNDS OF THE CITY OTHER THAN THE PLEDGED REVENUES AND OTHER FUNDS COMPRISING THE TRUST ESTATE. SEE “SECURITY FOR THE BONDS.”

This cover page contains certain information for quick reference only. It is not a summary of the Series 2022 Bonds. Investors must read this entire Limited Offering Memorandum to obtain information essential to the making of an informed investment decision.

The Series 2022 Bonds are offered for delivery when, as, and if issued by the City and accepted by the Underwriter (identified below), subject to, among other things, the approval of the Series 2022 Bonds by the Attorney General of Texas and the receipt of the opinion of McCall, Parkhurst & Horton, L.L.P., Bond Counsel, as to the validity of the Series 2022 Bonds and the excludability of interest thereon from gross income for federal income tax purposes. See “APPENDIX D — Form of Opinion of Bond Counsel.” Certain legal matters will be passed upon for the City by its City Attorney, Desiree’ L. Voth, Esq., for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, and for the Developer (as defined herein) by its counsel, Winstead PC. It is expected that the Series 2022 Bonds will be delivered in book-entry form through the facilities of DTC on or about February 17, 2022 (the “Closing Date”).

FMSbonds, Inc.

* Preliminary; subject to change.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS,
AND CUSIP NUMBERS

CUSIP Prefix: ^(a)

\$11,735,000*

CITY OF SINTON, TEXAS

(a municipal corporation of the State of Texas located in San Patricio County)
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2022
(SOMERSET PUBLIC IMPROVEMENT DISTRICT NO. 1)

\$ _____ % Term Bonds, Due September 1, 20 __, Priced to Yield _____%; CUSIP No. _____ ^{(a) (b) (c)}

\$ _____ % Term Bonds, Due September 1, 20 __, Priced to Yield _____%; CUSIP No. _____ ^{(a) (b) (c)}

-
- (a) CUSIP numbers are included solely for the convenience of owners of the Series 2022 Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers are provided for convenience of reference only. None of the City, the City's Financial Advisor or the Underwriter takes any responsibility for the accuracy of such numbers.
- (b) The Series 2022 Bonds are subject to redemption, in whole or in part, prior to stated maturity, at the option of the City, on any date on or after September 1, 20 __, at the redemption price set forth herein under "DESCRIPTION OF THE SERIES 2022 BONDS — Redemption Provisions."
- (c) The Series 2022 Bonds are also subject to mandatory sinking fund redemption and extraordinary optional redemption as set forth herein under "DESCRIPTION OF THE SERIES 2022 BONDS — Redemption Provisions."

* Preliminary; subject to change.

CITY OF SINTON, TEXAS

Elected Officials

| NAME | TERM EXPIRES (MAY) |
|--|---------------------------|
| Edward Adams, Mayor | 2023 |
| Patricia Garcia Vargas, Mayor Pro-Tern | 2024 |
| Nathan Lindeman, Councilmember | 2023 |
| Danny Davila, Councilmember | 2023 |
| Mary Speidel, Councilmember | 2024 |

Selected Administrative Staff

CITY MANAGER
John D. Hobson

CITY SECRETARY
Cathy Duhart

FINANCE DIRECTOR
Sally Oelrich

CITY ATTORNEY
Desiree' L. Voth, Esq.

BOND COUNSEL
McCall, Parkhurst & Horton, L.L.P.
San Antonio, Texas

FINANCIAL ADVISOR
SAMCO Capital Markets, Inc.
San Antonio, Texas

PID ADMINISTRATOR
MuniCap, Inc.
Irving, Texas

For additional information regarding the City, please contact:

John Hobson
City Manager
City of Sinton, Texas
301 E. Market
Sinton, Texas 78387
(361) 364-2381

Mark McLiney
Senior Managing Director
SAMCO Capital Markets, Inc.
1020 NE Loop 410, Suite 640
San Antonio, Texas 78209
(210) 832-9760

REGIONAL LOCATION MAP OF THE DISTRICT



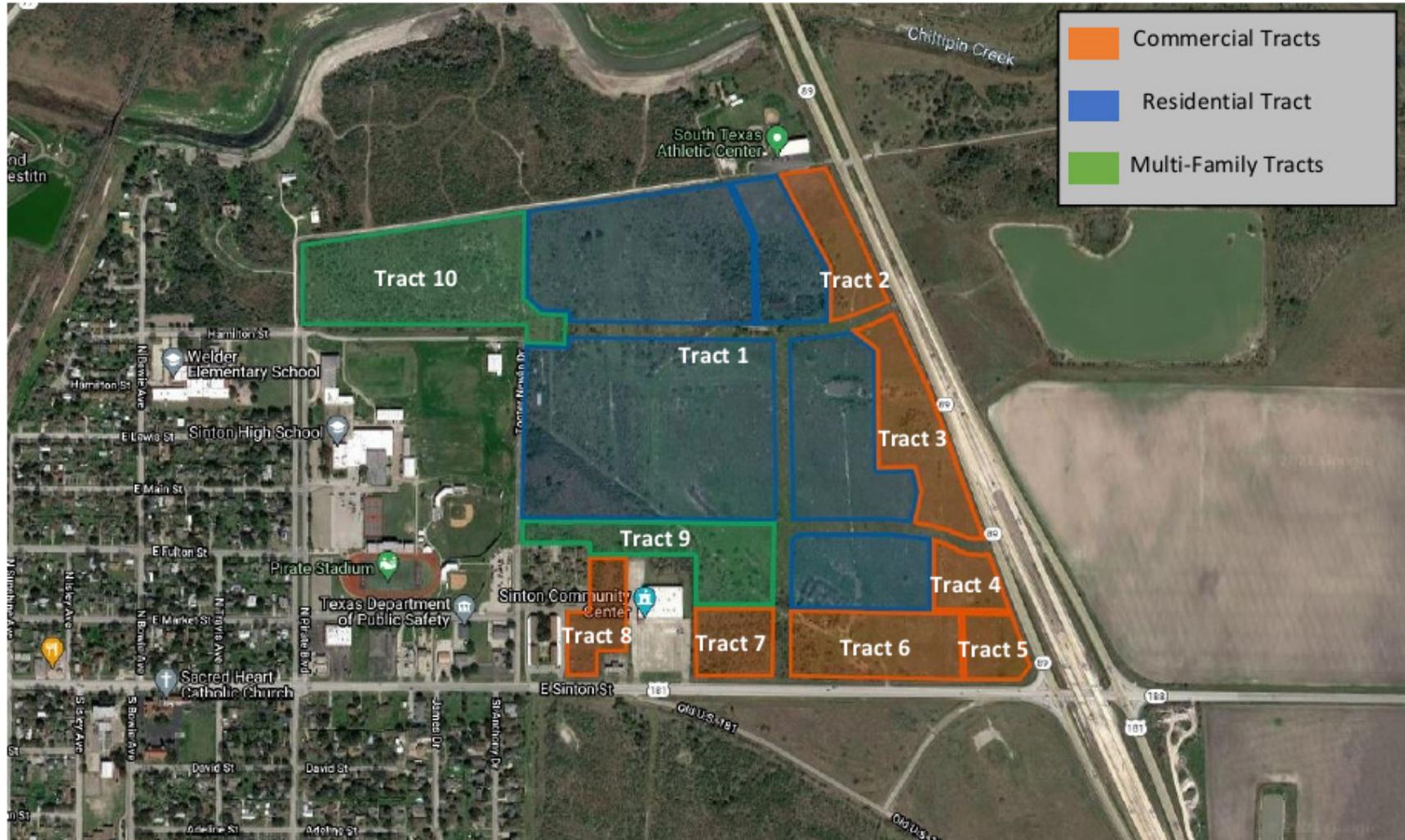
AREA LOCATION MAP OF THE DISTRICT



MAP SHOWING BOUNDARIES OF THE DISTRICT



MAP SHOWING CONCEPT PLAN FOR THE DISTRICT



FOR PURPOSES OF COMPLIANCE WITH RULE 15C2-12 OF THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (“RULE 15C2-12”), AS AMENDED AND IN EFFECT ON THE DATE OF THIS PRELIMINARY LIMITED OFFERING MEMORANDUM, THIS DOCUMENT CONSTITUTES AN “OFFICIAL STATEMENT” OF THE CITY WITH RESPECT TO THE SERIES 2022 BONDS THAT HAS BEEN “DEEMED FINAL” BY THE CITY AS OF ITS DATE EXCEPT FOR THE OMISSION OF NO MORE THAN THE INFORMATION PERMITTED BY RULE 15C2-12.

NO DEALER, BROKER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED BY THE CITY OR THE UNDERWRITER TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS, OTHER THAN THOSE CONTAINED IN THIS LIMITED OFFERING MEMORANDUM, AND IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY EITHER OF THE FOREGOING. THIS LIMITED OFFERING MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY AND THERE SHALL BE NO OFFER, SOLICITATION OR SALE OF THE SERIES 2022 BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION OR SALE.

THE INITIAL PURCHASERS ARE ADVISED THAT THE SERIES 2022 BONDS BEING OFFERED PURSUANT TO THIS LIMITED OFFERING MEMORANDUM ARE BEING OFFERED AND SOLD ONLY TO “ACCREDITED INVESTORS” AS DEFINED IN RULE 501 OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT OF 1933”) AND “QUALIFIED INSTITUTIONAL BUYERS” AS DEFINED IN RULE 144A PROMULGATED UNDER THE SECURITIES ACT OF 1933. SEE “LIMITATIONS APPLICABLE TO INITIAL PURCHASERS” HEREIN. EACH PROSPECTIVE INITIAL PURCHASER IS RESPONSIBLE FOR ASSESSING THE MERITS AND RISKS OF AN INVESTMENT IN THE SERIES 2022 BONDS, MUST BE ABLE TO BEAR THE ECONOMIC AND FINANCIAL RISK OF SUCH INVESTMENT IN THE SERIES 2022 BONDS, AND MUST BE ABLE TO AFFORD A COMPLETE LOSS OF SUCH INVESTMENT. CERTAIN RISKS ASSOCIATED WITH THE PURCHASE OF THE SERIES 2022 BONDS ARE SET FORTH UNDER “BONDHOLDERS’ RISKS” HEREIN. EACH INITIAL PURCHASER, BY ACCEPTING THE SERIES 2022 BONDS, AGREES THAT IT WILL BE DEEMED TO HAVE MADE THE ACKNOWLEDGMENTS AND REPRESENTATIONS DESCRIBED UNDER THE HEADING “LIMITATIONS APPLICABLE TO INITIAL PURCHASERS.”

THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS LIMITED OFFERING MEMORANDUM IN ACCORDANCE WITH, AND AS PART OF, ITS RESPONSIBILITIES TO INVESTORS UNDER THE UNITED STATES FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION. THE INFORMATION SET FORTH HEREIN HAS BEEN FURNISHED BY THE CITY AND OBTAINED FROM SOURCES, INCLUDING THE DEVELOPER, WHICH ARE BELIEVED BY THE CITY AND THE UNDERWRITER TO BE RELIABLE, BUT IT IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS, AND IS NOT TO BE CONSTRUED AS A REPRESENTATION OF THE UNDERWRITER. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS LIMITED OFFERING MEMORANDUM, NOR ANY SALE MADE HEREUNDER, SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY OR THE DEVELOPERS SINCE THE DATE HEREOF.

NEITHER THE CITY NOR THE UNDERWRITER MAKE ANY REPRESENTATION AS TO THE ACCURACY, COMPLETENESS, OR ADEQUACY OF THE INFORMATION SUPPLIED BY THE DEPOSITORY TRUST COMPANY FOR USE IN THIS LIMITED OFFERING MEMORANDUM.

THE SERIES 2022 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH LAWS. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2022 BONDS UNDER THE SECURITIES LAWS OF ANY JURISDICTION IN WHICH THEY MAY HAVE BEEN REGISTERED OR QUALIFIED, IF ANY, SHALL NOT BE REGARDED AS A RECOMMENDATION THEREOF. NONE OF SUCH JURISDICTIONS, OR ANY OF THEIR AGENCIES, HAVE PASSED UPON THE MERITS OF THE SERIES 2022 BONDS OR THE ACCURACY OR COMPLETENESS OF THIS LIMITED OFFERING MEMORANDUM.

CERTAIN STATEMENTS INCLUDED OR INCORPORATED BY REFERENCE IN THIS LIMITED OFFERING MEMORANDUM CONSTITUTE “FORWARD-LOOKING STATEMENTS” WITHIN THE MEANING OF THE

UNITED STATES PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995, SECTION 21E OF THE UNITED STATES EXCHANGE ACT OF 1934, AS AMENDED, AND SECTION 27A OF THE SECURITIES ACT. SUCH STATEMENTS ARE GENERALLY IDENTIFIABLE BY THE TERMINOLOGY USED, SUCH AS “PLAN,” “EXPECT,” “ESTIMATE,” “PROJECT,” “ANTICIPATE,” “BUDGET” OR OTHER SIMILAR WORDS. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ANY OF ITS EXPECTATIONS OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR, OTHER THAN AS DESCRIBED UNDER “CONTINUING DISCLOSURE” HEREIN.

THE TRUSTEE HAS NOT PARTICIPATED IN THE PREPARATION OF THIS LIMITED OFFERING MEMORANDUM AND ASSUMES NO RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS LIMITED OFFERING MEMORANDUM OR THE RELATED TRANSACTIONS AND DOCUMENTS OR FOR ANY FAILURE BY ANY PARTY TO DISCLOSE EVENTS THAT MAY HAVE OCCURRED AND MAY AFFECT THE SIGNIFICANCE OR ACCURACY OF SUCH INFORMATION.

(REMAINDER OF PAGE IS INTENTIONALLY LEFT BLANK.)

TABLE OF CONTENTS

| | | | |
|--|----|---|----|
| INTRODUCTION..... | 1 | Prepayment of Assessments..... | 36 |
| PLAN OF FINANCE | 2 | Priority of Lien | 37 |
| Development Plan | 2 | Foreclosure Proceedings | 37 |
| Status of Development and Purchase | | THE CITY..... | 38 |
| Contracts | 3 | THE DISTRICT | 38 |
| The Series 2022 Bonds | 4 | General..... | 38 |
| LIMITATIONS APPLICABLE TO INITIAL | | Powers and Authority of the City..... | 39 |
| PURCHASERS | 4 | Maintenance Assessment | 39 |
| DESCRIPTION OF THE SERIES 2022 BONDS.... | 5 | THE AUTHORIZED IMPROVEMENTS | 39 |
| General Description..... | 5 | General..... | 39 |
| Redemption Provisions..... | 6 | Authorized Improvements..... | 40 |
| BOOK-ENTRY-ONLY SYSTEM..... | 8 | Costs of Authorized Improvements..... | 40 |
| SECURITY FOR THE BONDS | 10 | Ownership and Maintenance of | |
| General..... | 10 | Authorized Improvements..... | 41 |
| Pledged Revenues..... | 11 | THE DEVELOPMENT | 41 |
| Collection and Deposit of Assessments..... | 12 | Overview | 41 |
| Amount of Assessments May be | | Development Plan and Status of | |
| Reduced by TIRZ Annual Credit | | Construction | 42 |
| Amount | 12 | Single-Family Residential Development | 43 |
| Unconditional Levy of Assessments | 13 | Development Agreement | 46 |
| Perfected Security Interest | 14 | Zoning/Permitting..... | 47 |
| Delivery of Assessment Revenues to the | | Education | 47 |
| Trustee; Use | 14 | Environmental | 47 |
| Pledged Revenue Fund | 15 | Mineral Rights..... | 47 |
| Bond Fund..... | 15 | Utilities..... | 48 |
| Project Fund | 16 | THE DEVELOPER | 48 |
| Reserve Fund..... | 17 | General..... | 48 |
| Excess Collections Fund | 19 | Description of Developer and | |
| Administrative Expenses Fund | 19 | Developer Principals..... | 48 |
| Reimbursement Fund..... | 19 | History and Financing of the District | 49 |
| Defeasance | 20 | THE PID ADMINISTRATOR | 51 |
| Events of Default..... | 20 | APPRaisal OF PROPERTY WITHIN THE | |
| Remedies in Event of Default | 21 | DISTRICT..... | 51 |
| Restriction on Owner’s Actions | 21 | The Appraisal | 51 |
| Application of Revenues and Other | | BONDHOLDERS’ RISKS | 52 |
| Moneys After Event of Default | 22 | Infectious Disease Outbreak | 53 |
| Investment or Deposit of Funds | 23 | Assessment Limitations | 54 |
| Additional Liens, Encumbrances and | | Potential Future Changes in State Law | |
| Indebtedness; Additional Bonds | | Regarding Public Improvement | |
| and Refunding Bonds | 23 | Districts | 55 |
| SOURCES AND USES OF FUNDS | 26 | General Risks of Real Estate Investment | |
| DEBT SERVICE REQUIREMENTS | 27 | and Development..... | 56 |
| OVERLAPPING TAXES AND DEBT | 28 | Risks Related to the Current Residential | |
| ASSESSMENT PROCEDURES | 30 | Real Estate Market..... | 57 |
| General..... | 30 | Risks Related to Recent Increase in | |
| Assessment Methodology | 31 | Costs of Building Materials | 57 |
| Collection and Enforcement of | | Competition..... | 57 |
| Assessment Amounts..... | 33 | Loss of Tax Exemption..... | 58 |
| Assessment Amounts..... | 35 | Bankruptcy | 58 |

| | | | |
|---|----|---|----|
| Direct and Overlapping Indebtedness, Assessments and Taxes..... | 58 | The City’s Compliance with Prior Undertakings | 69 |
| TIRZ Annual Credit Amount and Marketing of the Development | 59 | The Developer | 69 |
| Depletion of Reserve Account of the Reserve Fund..... | 59 | The Developer’s Compliance with Prior Undertakings | 69 |
| Hazardous Substances | 59 | UNDERWRITING | 69 |
| Regulation | 60 | REGISTRATION AND QUALIFICATION OF SERIES 2022 BONDS FOR SALE | 69 |
| Availability of Utilities..... | 60 | LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS..... | 70 |
| 100-Year Flood Plain..... | 60 | INFORMATION RELATING TO THE TRUSTEE | 70 |
| Risk from Weather Events | 60 | SOURCES OF INFORMATION..... | 71 |
| Exercise of Mineral Rights | 60 | General..... | 71 |
| Bondholders’ Remedies and Bankruptcy | 61 | Developer..... | 71 |
| Judicial Foreclosures | 62 | Experts | 71 |
| No Acceleration..... | 62 | Updating of Limited Offering Memorandum | 71 |
| Limited Secondary Market for the Series 2022 Bonds | 62 | FORWARD-LOOKING STATEMENTS | 72 |
| No Credit Rating | 62 | AUTHORIZATION AND APPROVAL..... | 72 |
| Bankruptcy Limitation to Bondholders’ Rights..... | 63 | APPENDIX A General Information Regarding the City | |
| Management and Ownership | 63 | APPENDIX B Form of Indenture | |
| Dependence Upon Developer | 63 | APPENDIX C Form of Service and Assessment Plan | |
| TAX MATTERS | 64 | APPENDIX D Form of Opinion of Bond Counsel | |
| Opinion | 64 | APPENDIX E-1 Form of Disclosure Agreement of the Issuer | |
| Federal Income Tax Accounting Treatment of Original Issue | | APPENDIX E-2 Form of Disclosure Agreement of the Developer | |
| Discount | 64 | APPENDIX F Appraisal of the District | |
| Collateral Federal Income Tax Consequences..... | 65 | APPENDIX G Form of Reimbursement Agreement | |
| State, Local and Foreign Taxes | 66 | APPENDIX H Form of Financing Agreement | |
| Information Reporting and Backup Withholding..... | 66 | | |
| Future and Proposed Legislation..... | 66 | | |
| LEGAL MATTERS | 66 | | |
| Legal Proceedings | 66 | | |
| Legal Opinions | 66 | | |
| Litigation — The City | 67 | | |
| Litigation — The Developer | 67 | | |
| SUITABILITY FOR INVESTMENT | 68 | | |
| ENFORCEABILITY OF REMEDIES..... | 68 | | |
| NO RATING..... | 68 | | |
| CONTINUING DISCLOSURE | 68 | | |
| The City | 68 | | |

(THIS PAGE IS INTENTIONALLY LEFT BLANK.)

PRELIMINARY LIMITED OFFERING MEMORANDUM

\$11,735,000*

CITY OF SINTON, TEXAS

(a municipal corporation of the State of Texas located in San Patricio County)

SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2022

(SOMERSET PUBLIC IMPROVEMENT DISTRICT NO. 1)

INTRODUCTION

The purpose of this Limited Offering Memorandum, including the cover page, and appendices hereto, is to provide certain information in connection with the issuance and sale by the City of Sinton, Texas (the “City”), of its \$11,735,000* aggregate principal amount of Special Assessment Revenue Bonds, Series 2022 (Somerset Public Improvement District No. 1) (the “Series 2022 Bonds”).

INITIAL PURCHASERS ARE ADVISED THAT THE SERIES 2022 BONDS BEING OFFERED PURSUANT TO THIS LIMITED OFFERING MEMORANDUM ARE BEING OFFERED INITIALLY TO AND ARE BEING SOLD ONLY TO “ACCREDITED INVESTORS” AS DEFINED IN RULE 501 OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT OF 1933”) AND “QUALIFIED INSTITUTIONAL BUYERS” AS DEFINED IN RULE 144A PROMULGATED UNDER THE SECURITIES ACT OF 1933. PROSPECTIVE INVESTORS SHOULD BE AWARE OF CERTAIN RISK FACTORS, ANY OF WHICH, IF MATERIALIZED TO A SUFFICIENT DEGREE, COULD DELAY OR PREVENT PAYMENT OF PRINCIPAL OF, AND/OR INTEREST ON THE SERIES 2022 BONDS. THE SERIES 2022 BONDS ARE NOT A SUITABLE INVESTMENT FOR ALL INVESTORS. SEE “LIMITATIONS APPLICABLE TO INITIAL PURCHASERS,” “BONDHOLDERS’ RISKS,” AND “SUITABILITY FOR INVESTMENT.”

The Series 2022 Bonds are being issued by the City pursuant to the Public Improvement District Assessment Act, Subchapter A of Chapter 372, Texas Local Government Code, as amended (the “PID Act”), the ordinance authorizing the issuance of the Series 2022 Bonds expected to be adopted by the City Council of the City (the “City Council”) on January 18, 2022 (the “Bond Ordinance”), and an Indenture of Trust, dated as of January 1, 2022 (the “Indenture”), entered into by and between the City and UMB Bank, N.A., Austin, Texas, as trustee (the “Trustee”). The Series 2022 Bonds are the initial series of Bonds (as defined herein) to be issued under the Indenture. The Bonds, including the Series 2022 Bonds, will be secured by a pledge of and lien upon the Trust Estate (as defined in the Indenture) consisting primarily of revenue from special assessments (the “Assessments”) levied pursuant to a separate ordinance expected to be adopted by the City Council on January 18, 2022 (the “Assessment Ordinance”) against assessable parcels (the “Assessed Property”) located in the Somerset Public Improvement District No. 1 (the “District”), all to the extent and upon the conditions described in the Indenture.

Reference is made to the Indenture for a full statement of the authority for, and the terms and provisions of, the Series 2022 Bonds. All capitalized terms used in this Limited Offering Memorandum, except as otherwise noted in “ASSESSMENT PROCEDURES,” that are not otherwise defined herein shall have the meanings set forth in the Indenture. See “APPENDIX B — Form of Indenture.”

Set forth herein are brief descriptions of the City, the District, the Assessment Ordinance, the Bond Ordinance, the Service and Assessment Plan (as defined herein), the Financing Agreement (as defined herein), the Reimbursement Agreement (as defined herein), the Completion Agreement (as defined herein), the Developer (as defined herein) and MuniCap, Inc. (the “PID Administrator”), together with summaries of terms of the Series 2022 Bonds and the Indenture and certain provisions of the PID Act. All references herein to such documents and the PID Act are qualified in their entirety by reference to such documents or such PID Act and all references to the Series 2022 Bonds are qualified by reference to the definitive forms thereof and the information with respect thereto contained in the Indenture. Copies of these documents may be obtained during the period of the offering of the Series 2022 Bonds from the Underwriter, FMSbonds, Inc., 5 Cowboys Way, Suite 300-25, Frisco, Texas 75034, Phone: (214) 302-2246.

* Preliminary; subject to change.

The form of Indenture appears in “APPENDIX B — Form of Indenture” and the form of Service and Assessment Plan, as updated, appears as “APPENDIX C — Form of Service and Assessment Plan.” The information provided under this caption “INTRODUCTION” is intended to provide a brief overview of the information provided in the other captions herein and is not intended, and should not be considered, fully representative or complete as to the subjects discussed hereunder.

PLAN OF FINANCE

Development Plan

Somerset Land Company, LLC, a Texas limited liability company (the “Developer”) purchased the approximately 177 acres of land comprising the District to be developed as part of a larger master planned, mixed-use development known as Somerset (the “Development”). The Development is expected to include approximately 1,277 acres and is expected to include single-family residential, multifamily residential, retail, light industrial and other commercial uses. The Developer currently has the remaining approximately 1,100 acres of the Development under contract with the current landowners of such property and, prior to closing on such contracts, expects to create one or more additional public improvement districts over such property to finance the development of public infrastructure benefiting the remaining portion of the proposed Development.

The Developer’s development plans for the District consist of the construction of the roadway, drainage, water and wastewater improvements necessary to serve the land within the District (the “Authorized Improvements”). See “THE AUTHORIZED IMPROVEMENTS” for a more detailed description of the Authorized Improvements. The District is expected to include approximately 460 single-family residential lots, consisting of two lot types: 50’ lots and 80’ lots, approximately 692 multifamily units and approximately 219,100 square feet of commercial property. See “MAP SHOWING BOUNDARIES OF THE DISTRICT” and “MAP SHOWING CONCEPT PLAN FOR THE DISTRICT” on pages v and vi and “THE DEVELOPMENT.”

The total cost of all of the Authorized Improvements (including District formation and bond issuance costs) is expected to be approximately \$28,806,452*. A portion of such costs, in the approximate amount of \$11,735,000*, is expected to be reimbursed to the Developer for prior expenditures directly paid with proceeds of the Series 2022 Bonds. The balance of such costs will be financed by the Developer and are expected to be reimbursed over time to the Developer from the Assessments, or the proceeds of additional bonds (“Additional Bonds”), if issued, pursuant to the Somerset Public Improvement District No. 1 Reimbursement Agreement (the “Reimbursement Agreement”) and the Somerset Public Improvement District No. 1 Financing Agreement (the “Financing Agreement”) both dated as of January 1, 2022 and expected to be entered into by the Developer and the City and effective as of the date of initial delivery of the Series 2022 Bonds. The City expects that it will, but is under no obligation to, issue Additional Bonds to finance all or a portion of its payment obligations under the Reimbursement Agreement (the “Reimbursement Obligation”) (see “SECURITY FOR THE BONDS — Additional Obligations or Other Liens; Additional Bonds” for details on criteria which must be met before the City may issue Additional Bonds). The Series 2022 Bonds, any Additional Bonds and the Reimbursement Obligation will be secured primarily by Assessments; however, the payment of debt service on the Series 2022 Bonds from the Assessments is superior in right to the Reimbursement Obligation under the Reimbursement Agreement. If Additional Bonds are issued to finance the Reimbursement Obligation, such Additional Bonds will be issued on parity with the Series 2022 Bonds. See “SECURITY FOR THE BONDS — Pledged Revenue Fund,” “— Additional Liens, Encumbrances and Indebtedness; Additional Bonds and Refunding Bonds,” “THE AUTHORIZED IMPROVEMENTS,” “APPENDIX B — Form of Indenture,” “APPENDIX G — Form of Reimbursement Agreement” and “APPENDIX H — Form of Financing Agreement.”

On July 13, 2021, the City adopted an ordinance (the “TIRZ Ordinance”), creating the Tax Increment Reinvestment Zone No. 1, City of Sinton (“TIRZ”), pursuant to Chapter 311 of the Texas Tax Code (the “TIRZ Act”), covering the District, and authorizing the use of TIRZ Revenues (as defined herein) for project costs under the TIRZ Act, relating to the Authorized Improvements, as provided for in the Tax Increment Reinvestment Zone No. 1, City of Sinton, Texas, Final Project and Financing Plan (including amendments or supplements thereto, the “TIRZ Project Plan”) and the Development Agreement, as described in more detail under “SECURITY FOR THE BONDS —

* Preliminary; subject to change.

Amount of Assessments May be Reduced by TIRZ Annual Credit Amount.” See also “BONDHOLDERS’ RISKS — TIRZ Annual Credit Amount and Marketing of the Development.”

In accordance with the Reimbursement Agreement, the Financing Agreement and the Development Agreement, and in order to provide additional assurance that the Developer will complete the Authorized Improvements and initially finance their costs (to the extent of insufficiency of proceeds of the Series 2022 Bonds for such purpose), the Developer, the City and the Trustee expect to enter into the Completion Agreement (the “Completion Agreement”) dated as of January 1, 2022 (but effective as of the date of initial delivery of the Series 2022 Bonds). In the Completion Agreement, the Developer agrees to timely pay Actual Costs of Authorized Improvements that are not directly funded from proceeds of the Series 2022 Bonds, as set forth in the Indenture (the “Developer Financial Commitment”). To provide a source to fund the Developer Financial Commitment, the Developer has obtained a revolving line of credit from Susser Bank in the amount of \$15,000,000. See “THE DEVELOPER — History and Financing of the District – Development of Land Within the District – Completion Agreement.”

Status of Development and Purchase Contracts

Authorized Improvements. The Developer began construction of the Authorized Improvements in October 2021 and expects to complete such construction by August 2022 subject to any weather delays. See “AUTHORIZED IMPROVEMENTS” and “THE DEVELOPMENT.”

Single-Family Lots. The District is expected to include approximately 460 single-family lots, consisting of approximately 405 50’ lots and 55 80’ lots. The Developer has executed two lot purchase agreements (collectively, the “DR Horton Agreements”) with D.R. Horton – Corpus Christi, LLC (“DR Horton”) for all 405 50’ lots within the District. In accordance with the first DR Horton Agreement (“Phase 1 DR Horton Agreement”), wherein DR Horton agrees to purchase 236 lots, DR Horton has put down \$405,000 in earnest money, which will be credited against DR Horton’s purchase of the last 60 lots under such DR Horton Agreement. The feasibility period under the Phase 1 DR Horton Agreement has expired. In accordance with the second DR Horton Agreement (“Phase 2 DR Horton Agreement”), wherein DR Horton agrees to purchase 169 lots, DR Horton has put down \$285,000 in earnest money, which will be credited against DR Horton’s purchase of the last 50 lots under such DR Horton Agreement. The Phase 2 DR Horton Agreement has a feasibility period that expires on March 2, 2022. DR Horton may terminate the Phase 2 DR Horton Agreement prior to the expiration of such agreement, upon which the earnest money provided under such agreement will be returned to DR Horton. The Developer also has a letter of intent (“LOI”) with MKP Management for all 55 80’ single-family lots within the District. See “MAP SHOWING BOUNDARIES OF THE DISTRICT” and “MAP SHOWING CONCEPT PLAN FOR THE DISTRICT” on pages v and vi and “THE DEVELOPMENT — Single-Family Residential Development.”

Multifamily Sites. The District is expected to include approximately 28 acres of multifamily sites consisting of approximately 692 multifamily units. Blue Water Resource Management, LLC (“Blue Water”) is under contract to build two multifamily residential buildings, consisting of approximately 250 units each, on an approximately 18.05-acre site located in the northwest corner of the District. Torno Properties, LLC (“Torno” and, together with Blue Water, the “Multifamily Builders”) is under contract to build approximately 192 multifamily units on an approximately 9.98-acre site located in the southwest corner of the District. The Multifamily Builders have collectively deposited \$10,000 in earnest money, of which \$5,000 was provided by Blue Water and \$5,000 was provided by Torno. Each of the Multifamily Builders is required to deposit an additional \$20,000 in earnest money as described under “THE DEVELOPMENT — Multifamily Residential Development.” All of such earnest money will be credited against their respective purchase prices at contract closing. The Developer expects to close on the contract with Torno on or before February 9, 2022. The Developer expects to close on the contract with Blue Water on or before September 31, 2022. See “MAP SHOWING BOUNDARIES OF THE DISTRICT” and “MAP SHOWING CONCEPT PLAN FOR THE DISTRICT” on pages v and vi and “THE DEVELOPMENT — Multifamily Residential Development.”

Commercial Sites. The District is expected to include approximately 45 acres and approximately 219,100 square feet of commercial property. The Developer entered into a contract for sale with Shopping Center Interests, LLC (“SC Interests”) for approximately 10 acres, comprising Tract 6 within the District. SC Interest expects such Tract to include (i) a 15,000 square foot shopping center with a national grocery chain and (ii) five pad sites to include quick serve restaurants. SC Interests has provided \$5,000 in earnest money, which shall be credited to the purchase

price at closing. The Developer expects that SC Interests will close on such property in January 2022. The Developer entered into a contract for sale with Vaquero Ventures Management, LLC, as agent for 7-Eleven, Inc./Stripes (“7-Eleven”), for approximately 4.5 acres, comprising Tract 5 within the District. 7-Eleven plans to build a “travel center” on such Tract, consisting of a gas station, truck stop and restaurant. 7-Eleven has provided \$25,000 in earnest money, which shall be credited to the purchase price at closing. The Developer expects that 7-Eleven will close on such property by January 18, 2022.

Additionally, the Developer has an LOI with ZJZ Hospitality Inc for between 1.5 to 4 acres of land for future development of one or more hotels, expected to include approximately 175 rooms. See “MAP SHOWING BOUNDARIES OF THE DISTRICT” and “MAP SHOWING CONCEPT PLAN FOR THE DISTRICT” on pages v and vi and “THE DEVELOPMENT — Commercial Development.”

The Series 2022 Bonds

The Series 2022 Bonds are the initial series of Bonds to be issued under the Indenture. Proceeds of the Series 2022 Bonds will be used to provide funds for (i) paying a portion of the Actual Costs of the Authorized Improvements, (ii) paying a portion of the interest on the Series 2022 Bonds during and after the period of acquisition and construction of the Authorized Improvements, (iii) funding the Reserve Account Requirement (as defined herein) attributable to the Series 2022 Bonds, (iv) paying a portion of the costs incidental to the organization and administration of the District, and (v) paying the costs of issuance of the Series 2022 Bonds. See “AUTHORIZED IMPROVEMENTS” and “APPENDIX B — Form of Indenture.”

Payment of the Bonds, including the Series 2022 Bonds is secured by a pledge of and a lien upon the Trust Estate, consisting primarily of the Assessments, all to the extent and upon the conditions described herein and in the Indenture. See “SECURITY FOR THE BONDS” and “ASSESSMENT PROCEDURES.”

The Series 2022 Bonds shall never constitute an indebtedness or general obligation of the City, the State of Texas (the “State”) or any other political subdivision of the State, within the meaning of any constitutional provision or statutory limitation whatsoever, but the Series 2022 Bonds are limited and special obligations of the City payable solely from the Trust Estate as provided in the Indenture. Neither the full faith and credit nor the taxing power of the City, the State or any other political subdivision of the State is pledged to the payment of the Series 2022 Bonds.

LIMITATIONS APPLICABLE TO INITIAL PURCHASERS

Each initial purchaser is advised that the Series 2022 Bonds being offered pursuant to this Limited Offering Memorandum are being offered and sold only to “accredited investors” as defined in Rule 501 of Regulation D promulgated under the Securities Act of 1933 and “qualified institutional buyers” as defined in Rule 144A promulgated under the Securities Act of 1933. Each initial purchaser of the Series 2022 Bonds (each, an “Investor”) will be deemed to have acknowledged, represented and warranted to the City as follows:

1. The Investor has authority and is duly authorized to purchase the Series 2022 Bonds and to execute the investment letter and any other instruments and documents required to be executed by the Investor in connection with the purchase of the Series 2022 Bonds.

2. The Investor is an “accredited investor” under Rule 501 of Regulation D of the Securities Act of 1933 or a “qualified institutional buyer” under Rule 144A of the Securities Act of 1933, and therefore, has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the Series 2022 Bonds.

3. The Series 2022 Bonds are being acquired by the Investor for investment and not with a view to, or for resale in connection with, any distribution of the Series 2022 Bonds, and the Investor intends to hold the Series 2022 Bonds solely for its own account for investment purposes and for an indefinite period of time, and does not intend at this time to dispose of all or any part of the Series 2022 Bonds. However, the investor may sell the Series 2022 Bonds

at any time the Investor deems appropriate. The Investor understands that it may need to bear the risks of this investment for an indefinite time, since any sale prior to maturity may not be possible.

4. The Investor understands that the Series 2022 Bonds are not registered under the Securities Act of 1933 and that such registration is not legally required as of the date hereof; and further understands that the Series 2022 Bonds (a) are not being registered or otherwise qualified for sale under the “Blue Sky” laws and regulations of any state, (b) will not be listed in any stock or other securities exchange, and (c) will not carry a rating from any rating service.

5. The Investor acknowledges that it has either been supplied with or been given access to information, including financial statements and other financial information, and the Investor has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the City, the Authorized Improvements, the Series 2022 Bonds, the security therefor, and such other information as the Investor has deemed necessary or desirable in connection with its decision to purchase the Series 2022 Bonds (collectively, the “Investor Information”). The Investor has received a copy of this Limited Offering Memorandum relating to the Series 2022 Bonds. The Investor acknowledges that it has assumed responsibility for its review of the Investor Information and it has not relied upon any advice, counsel, representation or information from the City in connection with the Investor’s purchase of the Series 2022 Bonds. None of the City, its councilmembers, officers, or employees shall have any liability for or in connection with the Investor’s decision to purchase the Series 2022 Bonds; provided, however, that they may have liability to the Investor for gross negligence, fraud or willful misconduct under the common law principle of equity. For the avoidance of doubt, it is acknowledged that the Underwriter is not deemed an officer or employee of the City.

6. The Investor acknowledges that the obligations of the City under the Indenture are special, limited obligations payable solely from amounts paid by the City pursuant to the terms of the Indenture and the City shall not be directly or indirectly or contingently or morally obligated to use any other moneys or assets of the City for amounts due under the Indenture. The Investor understands that the Series 2022 Bonds are not secured by any pledge of any moneys received or to be received from taxation by the City, the State or any political subdivision or taxing district thereof; that the Series 2022 Bonds will never represent or constitute a general obligation or a pledge of the faith and credit of the City, the State or any political subdivision thereof; that no right will exist to have taxes levied by the State or any political subdivision thereof for the payment of principal and interest on the Series 2022 Bonds; and that the liability of the City and the State with respect to the Series 2022 Bonds is subject to further limitations as set forth in the Series 2022 Bonds and the Indenture.

7. The Investor has made its own inquiry and analysis with respect to the Series 2022 Bonds and the security therefor. The Investor is aware that the development of the District involves certain economic and regulatory variables and risks that could adversely affect the SECURITY FOR THE BONDS.

8. The Investor acknowledges that the sale of the Series 2022 Bonds to the Investor is made in reliance upon the certifications, representations and warranties described in items 1-7 above.

DESCRIPTION OF THE SERIES 2022 BONDS

General Description

The Series 2022 Bonds will mature on the dates and in the amounts set forth on page i of this Limited Offering Memorandum. Interest on the Series 2022 Bonds will accrue from their date of delivery (the “Closing Date”) to the Underwriter and will be computed on the basis of a 360-day year of twelve 30-day months. Interest on the Series 2022 Bonds will be payable on each March 1 and September 1, commencing September 1, 2022* (each an “Interest Payment Date”), until Stated Maturity or prior redemption. UMB Bank, N.A., Austin, Texas is the initial Trustee and Paying Agent and Registrar, respectively, for the Series 2022 Bonds.

The Series 2022 Bonds will be issued in fully registered form, without coupons, in authorized denominations of \$100,000 of principal and any integral multiple of \$1,000 in excess thereof (or such smaller amounts of not less

* Preliminary; subject to change.

than \$1,000 as authorized under the Indenture as a result of partial redemption) (“Authorized Denominations”). Upon initial issuance, the ownership of the Series 2022 Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), and purchases of beneficial interests in the Series 2022 Bonds will be made in book-entry-only form. See “BOOK-ENTRY-ONLY SYSTEM” and “SUITABILITY FOR INVESTMENT.”

Redemption Provisions

Optional Redemption. The City reserves the right, exercisable at its option on any date fixed by the City that occurs on or after September 1, 20__, to redeem prior to their dates of Stated Maturity, in whole or in part (but in Authorized Denominations) at a redemption price equal to 100% of the principal amount of all or a portion of Series 2022 Bonds to be redeemed, plus accrued but unpaid interest to the date of redemption (the “Redemption Price”), the Series 2022 Bonds maturing on or after September 1, 20__.

Extraordinary Optional Redemption. The City reserves the right and option to redeem Series 2022 Bonds before their respective scheduled maturity dates, in whole or in part and at the Redemption Price, on the first day of any month from amounts on deposit in the Redemption Fund as a result of Prepayments or any other transfers to the Redemption Fund under the terms of the Indenture. See “ASSESSMENT PROCEDURES — Prepayment of Assessments” for the definition and description of Prepayments.

Notwithstanding the foregoing, the Trustee will not be required to affect an extraordinary optional redemption unless it has at least \$1,000 available in the Redemption Fund with which to redeem Series 2022 Bonds.

In lieu of redeeming Series 2022 Bonds with funds described above, the City may purchase Series 2022 Bonds of the maturity to be redeemed in the open market and at the price not in excess of the principal amount of such Series 2022 Bond.

Mandatory Sinking Fund Redemption. The Series 2022 Bonds maturing on September 1, 20__, September 1, 20__ and September 1, 20__ (together the “Term Series 2022 Bonds”) are subject to mandatory sinking fund redemption prior to their Stated Maturity and will be redeemed by the City, in part, at the Redemption Price, from moneys available for such purpose in the Principal and Interest Account of the Bond Fund on September 1 in each of the years and in the respective Sinking Fund Installments as set forth in the following schedule:

| \$ Term Series 2022 Bonds due September 1, 20__ | |
|--|---|
| <u>Year</u> | <u>Sinking Fund Installment Amount</u> |
| † | \$ |
| † Stated maturity. | |

| \$ Term Series 2022 Bonds due September 1, 20__ | |
|--|---|
| <u>Year</u> | <u>Sinking Fund Installment Amount</u> |
| † | \$ |
| † Stated maturity. | |

§ Term Series 2022 Bonds due September 1, 20

| <u>Year</u> | <u>Sinking Fund Installment Amount</u> |
|-------------|--|
|-------------|--|

§

†

† Stated maturity.

At least 45 days prior to each Sinking Fund Installment payment date, the Trustee shall select (in accordance with the provisions set forth below under “– Partial Redemption Provisions below) a principal amount of the applicable Term Series 2022 Bond equal to the Sinking Fund Installment amount of such Term Series 2022 Bonds to be redeemed, shall call such Term Series 2022 Bond for redemption on such scheduled mandatory redemption date, and shall give notice of such redemption, as provided in the Indenture.

The principal amount of Term Series 2022 Bonds required to be redeemed on any redemption date shall be reduced, at the option of the City, by the principal amount of such Term Series 2022 Bonds which, at least 45 days prior to the Sinking Fund Installment payment date, shall have been acquired by the City at a price not exceeding the principal amount of such Term Series 2022 Bonds plus accrued unpaid interest to the date of purchase thereof, and delivered to the Trustee, as Paying Agent/Registrar for cancellation.

The principal amount of Term Series 2022 Bonds required to be redeemed on any redemption date shall be reduced on a pro rata basis among Sinking Fund Installments by the principal amount of any Term Series 2022 Bonds which, at least 45 days prior to the applicable Sinking Fund Installment payment date, shall have been redeemed pursuant to the optional redemption or extraordinary optional redemption provisions hereof and not previously credited to a mandatory sinking fund redemption.

Partial Redemption Provisions. If less than all of the Series 2022 Bonds are to be redeemed pursuant to the Indenture, Series 2022 Bonds shall be redeemed in minimum principal amounts of \$1,000 or any integral thereof. Each Series 2022 Bond shall be treated as representing the number of Series 2022 Bonds that is obtained by dividing the principal amount of such Series 2022 Bonds by \$1,000. No redemption shall result in a Series 2022 Bond in a denomination of less than the Authorized Denomination in effect at that time; provided, however, if the amount of the Outstanding Series 2022 Bond is less than an Authorized Denomination after giving effect to such partial redemption, a Series 2022 Bond in the principal amount equal to the unredeemed portion, but not less than \$1,000, may be issued.

In selecting the Series 2022 Bonds to be redeemed pursuant to the mandatory sinking fund redemption provisions, the Trustee may select Series 2022 Bonds in any method that results in a random selection.

In selecting the Series 2022 Bonds to be redeemed pursuant to the optional redemption provisions, the Trustee may rely on the directions provided in a City Certificate. If no such direction is provided by the City, the Trustee may utilize any permitted selection methodology that results in random selection of such Series 2022 Bonds to be redeemed.

If less than all of the Series 2022 Bonds are called for extraordinary optional redemption, the Series 2022 Bonds or portion of a Series 2022 Bond, as applicable, to be redeemed shall be selected on a pro rata basis (as nearly as practicable) among all Outstanding Series 2022 Bonds.

Upon surrender of any Bond for redemption in part, the Trustee, in accordance with the Indenture, shall authenticate and deliver and exchange the Series 2022 Bond or Series 2022 Bonds in an aggregate principal amount equal to the unredeemed portion of the Series 2022 Bond so surrendered, such exchange being without charge.

Notice of Redemption. Upon receipt of a City Certificate providing to the Trustee the applicable redemption instructions, the Trustee shall give notice of any redemption of Series 2022 Bonds by sending notice by first class United States mail, postage prepaid, not less than 30 days before the date fixed for redemption, to the Owner of each Bond or portion thereof to be redeemed, at the address shown in the Register. The notice will state the redemption

date, the Redemption Price, the place at which the Series 2022 Bonds are to be surrendered for payment, and, if less than all the Series 2022 Bonds outstanding are to be redeemed, any conditions to such redemption, and a statement that on the identified redemption date, if all conditions (if any) to such redemption have been satisfied, such Series 2022 Bond shall become due and payable and interest thereon shall cease to accrue. Any such notice shall be conclusively presumed to have been duly given, whether or not the Owner receives such notice. Notice of redemption having been given as provided in the Indenture, the Series 2022 Bonds or portions thereof called for redemption shall become due and payable on the date fixed for redemption, provided that funds for the payment of the Redemption Price of such Series 2022 Bonds to the date fixed for redemption are on deposit with the Trustee; thereafter, such Series 2022 Bonds or portions thereof shall cease to bear interest from and after the date fixed for redemption, whether or not such Series 2022 Bonds are presented and surrendered for payment on such date.

The City has the right to rescind any optional redemption or extraordinary optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Series 2022 Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the Indenture. Upon receipt of a City Certificate instructing the Trustee to rescind the then-effective notice of redemption, the Trustee shall mail notice of rescission of redemption in the same manner notice of redemption was originally provided.

With respect to any optional redemption of the Series 2022 Bonds, unless the Trustee has received funds sufficient to pay the Redemption Price of the Series 2022 Bonds to be redeemed before giving of a notice of redemption, the notice may state the City may condition redemption on the receipt of such funds by the Trustee on or before the date fixed for the redemption, or on the satisfaction of any other prerequisites set forth in the notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not satisfied and sufficient funds are not received, the notice shall be of no force and effect, the City will not redeem the Series 2022 Bonds and the Trustee will give notice, in the manner in which the notice of redemption was given, that the Series 2022 Bonds have not been redeemed.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Series 2022 Bonds is to be transferred and how the principal of, premium, if any, and interest on the Series 2022 Bonds are to be paid to and credited by DTC while the Series 2022 Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Limited Offering Memorandum. The City and the Underwriter believe the source of such information to be reliable, but neither the City nor the Underwriter takes responsibility for the accuracy or completeness thereof.

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Series 2022 Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Series 2022 Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis or (3) DTC will serve and act in the manner described in this Limited Offering Memorandum. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Series 2022 Bonds. The Series 2022 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Series 2022 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and

municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its registered subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P Global Ratings' rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

Purchases of Series 2022 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2022 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2022 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2022 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2022 Bonds, except in the event that use of the book-entry system for the Series 2022 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2022 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2022 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2022 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2022 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2022 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2022 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2022 Bond documents. For example, Beneficial Owners of Series 2022 Bonds may wish to ascertain that the nominee holding the Series 2022 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all Series 2022 Bonds of the same maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant of such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2022 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2022 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and all other payments on the Series 2022 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct

Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Paying Agent/Registrar, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, the Paying Agent/Registrar or the City, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2022 Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2022 Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2022 Bond certificates will be printed and delivered. Thereafter, Series 2022 Bond certificates may be transferred and exchanged as described in the Indenture.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but none of the City, the City's Financial Advisor or the Underwriter take any responsibility for the accuracy thereof.

NONE OF THE CITY, THE TRUSTEE, THE PAYING AGENT, THE CITY'S FINANCIAL ADVISOR OR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEE WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE SERIES 2022 BONDS. THE CITY CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, THE DTC PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE SERIES 2022 BONDS PAID TO DTC OR ITS NOMINEE, AS THE REGISTERED OWNER, OR PROVIDE ANY NOTICES TO THE BENEFICIAL OWNERS OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL ACT IN THE MANNER DESCRIBED IN THIS LIMITED OFFERING MEMORANDUM. THE CURRENT RULES APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION, AND THE CURRENT PROCEDURES OF DTC TO BE FOLLOWED IN DEALING WITH DTC PARTICIPANTS ARE ON FILE WITH DTC.

SECURITY FOR THE BONDS

The following is a summary of certain provisions contained in the Indenture. Reference is made to the Indenture for a full statement of the terms and provisions of the Bonds. "Bonds" means, collectively, any Outstanding Series 2022 Bonds, Outstanding Additional Bonds and Outstanding Refunding Bonds (as defined herein). Investors must read the entire Indenture to obtain information essential to the making of an informed investment decision. See "APPENDIX B — Form of Indenture."

General

THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE PLEDGED REVENUES AND OTHER FUNDS COMPRISING THE TRUST ESTATE, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. THE BONDS DO NOT GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWER OF THE CITY AND ARE PAYABLE SOLELY FROM THE SOURCES IDENTIFIED IN THE INDENTURE. THE OWNERS OF THE BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF OUT OF MONEY RAISED OR TO BE RAISED BY TAXATION, OR OUT OF ANY FUNDS OF THE CITY OTHER THAN THE PLEDGED REVENUES, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. NO OWNER OF THE BONDS SHALL HAVE THE RIGHT TO DEMAND ANY EXERCISE OF THE CITY'S TAXING POWER TO PAY THE PRINCIPAL OF THE BONDS OR

THE INTEREST OR REDEMPTION PREMIUM, IF ANY, THEREON. THE CITY SHALL HAVE NO LEGAL OR MORAL OBLIGATION TO PAY THE BONDS OUT OF ANY FUNDS OF THE CITY OTHER THAN THE PLEDGED REVENUES AND OTHER FUNDS COMPRISING THE TRUST ESTATE. SEE “APPENDIX B — FORM OF INDENTURE.”

The principal of, premium, if any, and interest on the Bonds are secured by a pledge of and a lien upon the Pledged Revenues, consisting primarily of Assessments expected to be levied against the Assessed Property and other funds comprising the Trust Estate, all to the extent and upon the conditions described herein and in the Indenture. In accordance with the PID Act, on January 18, 2022 the City Council expects to approve and adopt a Service and Assessment Plan (as may be updated and amended from time to time, the “Service and Assessment Plan”), which will describe the special benefit received by the property within the District, provide the basis and justification for the determination of special benefit on such property, establish the methodology for the levy of the Assessments and provide for the allocation of Pledged Revenues for payment of principal of, premium, if any, and interest on the Bonds. The Service and Assessment Plan is reviewed and updated annually for the purpose of determining the annual budget for improvements and the Annual Installments (as defined below) of Assessments due in a given year. The determination by the City of the assessment methodology set forth in the Service and Assessment Plan is the result of the discretionary exercise by the City Council of its legislative authority and governmental powers and is conclusive and binding on all current and future landowners within the District. See “APPENDIX C — Form of Service and Assessment Plan.”

Pledged Revenues

The City is authorized by the PID Act, the Assessment Ordinance and other provisions of applicable law to finance the Authorized Improvements by levying Assessments upon the Assessed Property benefitted thereby. For a description of the assessment methodology and the amounts of Assessments anticipated to be levied in the District, see “ASSESSMENT PROCEDURES” and “APPENDIX C — Form of Service and Assessment Plan.”

Pursuant to the Indenture, the following terms are assigned the following meanings:

“Additional Interest” means the additional interest, calculated at the Additional Interest Rate, charged, and collected on the Assessments as permitted by, and pursuant to, Section 372.018 of the PID Act.

“Additional Interest Rate” means 0.50%.

“Annual Installment” means, with respect to the Assessed Property, the annual installment payments of an Assessment calculated by the PID Administrator and approved by the City Council, including: (i) principal of the Bonds; (ii) interest on the Bonds; (iii) Administrative Expenses; (iv) Additional Interest; and (v) the Reimbursement Obligation.

“Assessment Revenues” means money collected by or on behalf of the City from any one or more of the following: (i) an Assessment levied against an Assessed Property, or Annual Installment payment thereof (including any interest on such Assessment or Annual Installment thereof during any period of delinquency), (ii) a Prepayment, (iii) Delinquent Collection Costs, and (iv) Foreclosure Proceeds.

“Majority Interest” means, as of any particular date of calculation, the Owners of no less than 51% of the principal amount of the then Outstanding Bonds.

“Pledged Revenues” means Assessment Revenues that remain after subtracting Administrative Expenses, and Delinquent Collection Costs, plus earnings on investments of funds from time to time held in any of the Pledged Funds and Accounts, plus any additional revenues that the City may (after the date hereof and from time to time) pledge to the payment of Bonds.

“Pledged Funds and Accounts” means the Pledged Revenue Fund, the Bond Fund, the Project Fund, the Reserve Fund, the Redemption Fund, and the Excess Collections Fund, along with the Accounts therein created, held, and maintained, being Funds and Accounts pledged to secure the repayment of the Bonds, as well as each additional

fund and account pledged to the repayment of any Additional Bonds or Refunding Bonds, but specifically excluding the Rebate Fund, the Administrative Expense Fund, and the Reimbursement Fund.

The City covenants in the Indenture that it will take and pursue all reasonable actions permissible under Applicable Laws to cause the Assessments to be collected and the liens thereof to be enforced continuously. See “— Pledged Revenue Fund” and “APPENDIX C — Form of Service and Assessment Plan.”

Collection and Deposit of Assessments

The Assessments on each parcel, tract or lot which are to be collected in each year during the term of the Bonds are shown on the Assessment Roll. The Assessments, together with the interest thereon, will be deposited in the Pledged Revenue Fund for the payment of the principal of and interest on the Bonds, as and to the extent provided in the Service and Assessment Plan and the Indenture. See “SECURITY FOR THE BONDS — Pledged Revenue Fund.”

The Assessments assessed to pay debt service on the Bonds together with interest thereon, are payable in Annual Installments established by the Assessment Ordinance and the Service and Assessment Plan to correspond, as nearly as practicable, to the debt service requirements for the Bonds. An Annual Installment of an Assessment has been made payable in the Assessment Ordinance in each City fiscal year preceding the date of final maturity of the Bonds which, if collected, will be sufficient to pay debt service requirements attributable to the Series 2022 Bonds in the Service and Assessment Plan. Each Annual Installment is payable as provided in the Service and Assessment Plan and the Assessment Ordinance.

The portions of the Annual Installments of Assessments collected to pay Administrative Expenses and Delinquent Collection Costs will be deposited in the Administrative Expense Fund and shall not constitute Pledged Revenues.

Amount of Assessments May be Reduced by TIRZ Annual Credit Amount

The City adopted the TIRZ Ordinance authorizing the use of TIRZ Revenues for costs of the Authorized Improvements, as provided for in the TIRZ Project Plan. In the TIRZ Project Plan, the City, San Patricio County, Texas (the “County”) and the San Patricio County Drainage District (the “Drainage District”) agreed to contribute a portion of each of their ad valorem tax increment (the “Tax Increment”) attributable to the new development within the TIRZ into a tax increment fund created by the City (the “TIRZ Fund”) to pay costs of improvements within the TIRZ, including the Authorized Improvements. The City, the County and the Drainage District have committed to each use 50% of the incremental real property tax revenues generated from the collection of the maintenance and operations (M&O) portion (specifically excluding, with respect to the County, the road and bridge portion of the M&O rate) of the respective tax rate of each taxing entity on each parcel (the “TIRZ Revenues”). The City has agreed to transfer TIRZ Revenues generated from each parcel or lot within the District (the “TIRZ Annual Credit Amount”) from the TIRZ Fund to the Pledged Revenue Fund to offset a portion of such lot’s Annual Installment of Assessment due each year, as calculated by the PID Administrator in collaboration with the City, in accordance with the Service and Assessment Plan. The Annual Installment will be calculated by taking into consideration any TIRZ Annual Credit Amount applicable to such parcel or lot. See “APPENDIX C — Form of Service and Assessment Plan.”

Under the TIRZ Ordinance and TIRZ Project Plan, the TIRZ Revenues generated by each applicable parcel or lot in any given year shall be used to calculate such lot’s TIRZ Annual Credit Amount in the following year (i.e., TIRZ Revenues collected in 2022 shall be used to calculate the TIRZ Annual Credit Amount applicable to Annual Installments to be collected in 2023). The TIRZ Revenues are generated only from the applicable portion of the ad valorem taxes levied and collected by the City, County and Drainage District, respectively, on the captured appraised value on the applicable parcel or lot in any year. Consequently, the TIRZ Revenues are generated only if the appraised value of real property on such parcel or lot in any year is greater than the base value. Any delay or failure of the Developer to develop the District may result in a reduced amount of the TIRZ Revenue being available to credit the Assessments. See “ASSESSMENT PROCEDURES — Assessment Amounts — TIRZ Annual Credit Amount” and “APPENDIX C — Form of Service and Assessment Plan.”

The TIRZ will terminate on July 13, 2051 or when the maximum amount committed by each taxing unit is reached, unless terminated by the City earlier. Pursuant to the Interlocal Agreement for Tax Increment Participation in Reinvestment Zone Number One, City of Sinton, Texas (Somerset Development) by and among the City, the County and the Drainage District, the maximum amounts to be contributed by the City, the County and the Drainage District are \$21,654,086, \$12,267,348, and \$1,993,145, respectively. The City has the right to terminate the TIRZ prior to its expiration if all costs set forth under the TIRZ Project Plan have been paid. The City expects to collect TIRZ Revenues for the last year in calendar year 2050 and apply them to the TIRZ Annual Credit Amount in 2051.

THE TIRZ REVENUES WILL NOT BE PLEDGED TO THE PAYMENT OF THE BONDS, AND THERE IS NO GUARANTEE THAT TIRZ REVENUES WILL BE GENERATED AS PROJECTED. THE TIRZ ANNUAL CREDIT AMOUNT WILL NOT BE APPLIED IN ANY MANNER THAT WOULD AFFECT THE COLLECTION AND CONTINUOUS ENFORCEMENT OF ASSESSMENTS COLLECTED FOR THE PAYMENT OF DEBT SERVICE ON THE BONDS AND ADMINISTRATIVE EXPENSES AND THE FUNDING OF THE DELINQUENCY AND PREPAYMENT RESERVE REQUIREMENT, IN THE MANNER AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAWS. SUCH TIRZ ANNUAL CREDIT AMOUNT IS NOT EXPECTED TO BE AVAILABLE TO REDUCE THE ANNUAL INSTALLMENT FOR ANY ASSESSED PROPERTY UNTIL 2024. THE ABILITY OF THE TIRZ ANNUAL CREDIT AMOUNT TO REDUCE THE ANNUAL INSTALLMENTS WITHIN THE DISTRICT IS DEPENDENT ON THE ACTUAL BUILDOUT VALUE IN THE DISTRICT MEETING THE PROJECTIONS FOR THE ESTIMATED BUILDOUT VALUES DESCRIBED IN THE SERVICE AND ASSESSMENT PLAN. SEE “OVERLAPPING TAXES AND DEBT,” “BONDHOLDERS’ RISKS — TIRZ ANNUAL CREDIT AMOUNT AND MARKETING OF THE DEVELOPMENT” AND “APPENDIX C — FORM OF SERVICE AND ASSESSMENT PLAN.”

Unconditional Levy of Assessments

The City is expected to impose Assessments on the property within the District sufficient to pay the principal of and interest on the Bonds scheduled for payment from Pledged Revenues as described in the Indenture and in the Service and Assessment Plan and coming due during each fiscal year. The Assessments will be effective on the date of, and strictly in accordance with the terms of, the Assessment Ordinance. Each Assessment may be paid immediately in full or in periodic Annual Installments over a period of time equal to the term of the Bonds, which installments shall include interest on the Assessments. Pursuant to the Assessment Ordinance, interest on the Assessments will be calculated at the rate of interest on the Bonds plus the Additional Interest Rate calculated on the basis of a 360-day year of twelve 30-day months. Such rate may be adjusted as described in the Service and Assessment Plan. Each Annual Installment, including the interest on the unpaid amount of an Assessment, will be calculated annually during the Annual Service Plan Update and will be due when billed, expected to be on or about October 1 of each year. Each Annual Installment together with interest thereon shall be delinquent if not paid prior to February 1 of the following year.

As authorized by Section 372.018(b) of the PID Act, the City will calculate and collect each year while the Bonds are Outstanding and unpaid, an assessment to pay the annual costs incurred by the City in the administration and operation of the District (the “Administrative Expenses”). The portion of each Annual Installment of an Assessment used to pay Administrative Expenses will remain in effect from year to year until all Bonds are finally paid or until the City adjusts the amount of the levy after an annual review in any year pursuant to Section 372.013 of the PID Act. The amount collected to pay Administrative Expenses will be due when billed, expected to be on or about October 1 of each year, in the manner set forth in the Assessment Ordinance, and will be delinquent if not paid by February 1 of the following year. **Amounts collected for Administrative Expenses do not secure repayment of the Bonds.**

There will be no discount for the early payment of Assessments.

The PID Act provides that the Assessments (including any reassessment, with interest, the expense of collection and reasonable attorney’s fees, if incurred) are a first and prior lien (the “Assessment Lien”) against the Assessed Property, superior to all other liens and claims, except liens and claims for the State, county, school district, or municipality for ad valorem taxes and are a personal liability of and charge against the owners of property, regardless of whether the owners are named. Pursuant to the PID Act, the Assessment Lien is effective from the date

of the Assessment Ordinance until the Assessments are paid (or otherwise discharged) and is enforceable by the City in the same manner that an ad valorem property tax levied against real property may be enforced by the City. See “ASSESSMENT PROCEDURES” herein. The Assessment Lien is superior to any homestead rights of a property owner that were properly claimed after the adoption of the Assessment Ordinance. However, an Assessment Lien may not be foreclosed upon if any homestead rights of a property owner were properly claimed prior to the adoption of the Assessment Ordinance (“Pre-existing Homestead Rights”) for as long as such rights are maintained on the property. See “BONDHOLDERS’ RISKS — Assessment Limitations.”

Failure to pay an Annual Installment when due will not accelerate the payment of the remaining Annual Installments of the Assessments and such remaining Annual Installments (including interest) will continue to be due and payable at the same time and in the same amount and manner as if such default had not occurred.

Perfected Security Interest

The lien on and pledge of the Trust Estate will be valid and binding and fully perfected from and after the Closing Date, without physical delivery or transfer of control of the Trust Estate, the filing of the Indenture or any other act; all as provided in Texas Government Code, Chapter 1208, as amended, which applies to the issuance of the Bonds and the pledge of the Trust Estate granted by the City under the Indenture, and such pledge is therefore valid, effective and perfected. If State law is amended at any time while the Bonds are Outstanding such that the pledge of the Trust Estate granted by the City under the Indenture is to be subject to the filing requirements of Texas Business and Commerce Code, Chapter 9, as amended, then in order to preserve the perfection of the security interest in said pledge to the registered owners of the Bonds, the City has agreed to take such measures as it determines are reasonable and necessary under State law to comply with the applicable provisions of Texas Business and Commerce Code, Chapter 9, as amended, and enable a filing to perfect the security interest in said pledge to occur. See “APPENDIX B — Form of Indenture.”

Delivery of Assessment Revenues to the Trustee; Use

On or before February 15 of each year while the Bonds are Outstanding, beginning February 15, 2023, the City shall deposit or cause to be deposited with the Trustee all Assessment Revenues at such time collected and held by the City (each of the foregoing, an “Annual Assessment Revenues Deposit”). In addition, and within 10 Business Days of its receipt of the same, the City shall deposit or cause to be deposited with the Trustee all Prepayments, Foreclosure Proceeds, and Delinquent Collection Costs (any of the foregoing, an “Irregular Assessment Revenues Deposit”). Upon its receipt of an Annual Assessment Revenues Deposit or an Irregular Assessment Revenues Deposit, the Trustee shall deposit such Assessment Revenues as hereafter provided.

Concurrently with its delivery to the Trustee of each Annual Assessment Revenues Deposit, the City shall deliver to the Trustee a City Certificate identifying, for such then-current calendar year, the portions of such Annual Assessment Revenues Deposit attributable to principal of (including Sinking Fund Installments) and interest on the Bonds, Administrative Expenses, Additional Interest, and the Reimbursement Obligation. In addition, such City Certificate shall identify any of such Annual Assessment Revenues Deposit attributable to Delinquent Collection Costs (collected pursuant to the Indenture), Prepayments or Foreclosure Proceeds.

Concurrently with its delivery to the Trustee of any Irregular Assessment Revenues Deposit, the City shall deliver to the Trustee a City Certificate identifying the amount of such Irregular Assessment Revenues Deposit attributable to principal of (including Sinking Fund Installments) and interest on the Bonds, Administrative Expenses, Additional Interest, and the Reimbursement Obligation. In addition, such City Certificate shall identify any of such Irregular Assessment Revenues Deposit attributable to Delinquent Collection Costs (collected pursuant to the Indenture), Prepayments or Foreclosure Proceeds.

From Assessment Revenues, and in the amounts specified in the City Certificate described in the Indenture, the Trustee shall deposit to the Administrative Expense Fund the Administrative Expenses and the Delinquent Collection Costs.

All Assessment Revenues that remain after the Trustee's compliance with the Indenture as described above constitute Pledged Revenues and, accordingly, shall be deposited to the Pledged Revenue Fund for further disbursement in accordance with the Indenture.

Pledged Revenue Fund

From each Annual Assessment Revenues Deposit, the Trustee shall (immediately after its deposit of Pledged Revenues therefrom to the Pledged Revenue Fund pursuant to the Indenture) make the following reservations or transfers of amounts deposited to the Pledged Revenue Fund, in the identified order or priority (and subject to the availability of funds): (i) *first*, reserve and hold in the Pledged Revenue Fund until used in the manner specified in the Indenture an amount equal to scheduled debt service on the Bonds (to include any Sinking Fund Installment) coming due in the then-current calendar year, taking into account any amounts then on deposit in the Principal and Interest Account of the Bond Fund and any expected transfers thereto from the Capitalized Interest Account pursuant to the Indenture, the Reserve Fund pursuant to the Indenture, the Rebate Fund pursuant to the Indenture, or from any other permitted source, (ii) *second*, transfer to the Reserve Account of the Reserve Fund such amount as is necessary (if at all, after taking into account any amounts at such time on deposit therein) to cause the balance of such Account to equal the Reserve Account Requirement, (iii) *third*, transfer to the Delinquency and Prepayment Reserve Account of the Reserve Fund the amount of Additional Interest identified in the City Certificate delivered to the Trustee pursuant to the Indenture, as, until and unless otherwise required pursuant to the Indenture, (iv) *fourth*, transfer to the Reimbursement Fund the amount of the Reimbursement Obligation identified in the City Certificate delivered to the Trustee pursuant to the Indenture, as, until and unless otherwise required pursuant to the Indenture and (v) *fifth*, all remaining amounts (if any) to the Excess Collections Fund.

From each Irregular Assessment Revenues Deposit, the Trustee shall (immediately after its deposit of Pledged Revenues therefrom to the Pledged Revenue Fund pursuant to the Indenture) make the following transfers of such amounts deposited to the Pledged Revenue Fund: (i) *first*, transfer all Prepayments to the Redemption Fund and (ii) *second*, transfer all Foreclosure Proceeds, as directed by the City pursuant to a City Certificate, *first*, to the Reserve Fund to restore any prior transfers from the Accounts within the Reserve Fund made with respect to the Assessed Property to which the Foreclosure Proceeds relate (with such deposits further allocated, first, to the Reserve Account to replenish the Reserve Account Requirement and, second, to the Delinquency and Prepayment Reserve Account to replenish the Delinquency and Prepayment Reserve Requirement) and, *second*, to the Redemption Fund.

From time to time as needed to pay scheduled debt service on the Bonds (to include any Sinking Fund Installment) coming due in the then-current calendar year, but no later than five Business Days before each Interest Payment Date, the Trustee shall withdraw from such amounts retained in the Pledged Revenue Fund pursuant to the Indenture and transfer to the Principal and Interest Account of the Bond Fund an amount necessary to cause the total amount then on deposit in the Principal and Interest Account, taking into account any transfers to such Account described in the Indenture, to equal the principal (including any scheduled Sinking Fund Installment) of, if any, and interest on the Bonds coming due on such Interest Payment Date.

Any amounts that remain on deposit in the Pledged Revenue Fund after there no longer remain Outstanding any Bonds shall be transferred to the Reimbursement Fund.

Notwithstanding the foregoing, the Trustee shall, from Pledged Revenues and prior to any other use of the same, transfer from the Pledged Revenue Fund to the Rebate Fund the amount instructed by the City pursuant to a City Certificate.

Bond Fund

The Bond Fund, generally, and the Principal and Interest Account, specifically, shall be maintained for the purpose of paying regularly-scheduled principal of (including Sinking Fund Installments) and interest on the Bonds. On each Interest Payment Date, the Trustee shall withdraw from the Principal and Interest Account and transfer to the Paying Agent/Registrar the principal (including any Sinking Fund Installment) and interest then due and payable on the Bonds, less any amount to be used to pay interest on the Bonds on such Interest Payment Date from the Capitalized Interest Account as specified in the Indenture or any transfer from the Reserve Fund pursuant to the Indenture to pay principal of certain Bonds.

If amounts in the Principal and Interest Account are insufficient for the purposes set forth in, as and when required by, the Indenture, the Trustee shall withdraw from the Accounts of the Reserve Fund amounts necessary to cover the amount of such insufficiency, *first* (and until depletion of such Account), from the Delinquency and Prepayment Reserve Account and, *second*, from the Reserve Account. Amounts withdrawn from the Reserve Fund pursuant to the Indenture shall be deposited to the Principal and Interest Account and transferred to the Paying Agent/Registrar concurrently or in close proximity (but in all occurrences, on the same day) as transfers made under the Indenture.

If, after adding the transfers identified in the Indenture to any requisite transfer from the Reserve Fund pursuant to the Indenture, the amounts on deposit in the Principal and Interest Account are insufficient to make the scheduled principal and interest payments due and owing as described in the Indenture, the Trustee shall apply the available funds in the Principal and Interest Account, first, to the payment of interest and, second, to the payment of principal (including any Sinking Fund Installment) on the Bonds, as the same are due and owing on the applicable Interest Payment Date.

Money on deposit in the Capitalized Interest Account shall be used for payment of scheduled interest on the Series 2022 Bonds due and owing on the following dates and in the specified amounts:

| <u>Interest Payment Date</u> | <u>Interest Payment Amount (\$)</u> |
|-------------------------------------|--|
| September 1, 2022 | |
| March 1, 2023 | |
| September 1, 2023 | |

Any amounts on deposit in the Capitalized Interest Account after the payment of the interest payment amounts on the respective Interest Payment Date(s) listed above shall be transferred to the Project Fund's Projects Account, or if such Account has been closed as provided in the Indenture, such remaining amount to be deposited shall instead be transferred to the Redemption Fund and used to redeem the Bonds. After transfer of all amounts held in the Capitalized Interest Account, whether by payment of the interest payment amount on the final Interest Payment Date indicated in the table above or by transfer of any remaining amounts to the Redemption Fund as heretofore described, the Capitalized Interest Account shall be closed.

Notwithstanding any provision of the Indenture to the contrary, amounts held in the Principal and Interest Account of the Bond Fund shall be transferred to the Redemption Fund as and when required (if at all) by the Indenture.

Project Fund

Amounts held in the Projects Account of the Project Fund shall, prior to the utilization of funds on deposit in the Reimbursement Fund, be used to pay Actual Costs of Authorized Improvements and costs related to the organization of the District. Disbursements from the Projects Account of the Project Fund shall be made by the Trustee upon its receipt from time to time of City Certificates, each containing a properly executed and completed Certification for Payment applicable to the then-requested Projects Account disbursement. Upon the City's delivery to the Trustee of a City Certificate stating that all Authorized Improvements have been completed and that all Actual Costs of Authorized Improvements have been paid (or that any such Actual Costs of Authorized Improvements are not required to be paid from the Projects Account of the Project Fund), the Trustee shall transfer the amount, if any, remaining within the Projects Account of the Project Fund to the Principal and Interest Account of the Bond Fund or the Redemption Fund (as directed by the City upon advice of Bond Counsel) and, thereafter, close the Projects Account.

Amounts held in the Costs of Issuance Account of the Project Fund shall be used to pay an allocable amount of the costs of District creation and the costs of issuance of Bonds of the Series from which such amounts then-held in the Costs of Issuance Account were derived or to which they relate. Disbursements from the Costs of Issuance Account of the Project Fund shall be made by the Trustee pursuant to and in accordance with the directives of a City Certificate delivered to the Trustee by the City and providing for the disbursement or application of such funds to be disbursed (including directive to the Trustee to withdraw from such source an amount necessary to satisfy the fees and expenses initially incurred thereby). Any amounts remaining on deposit in the Costs of Issuance Account after the Trustee's satisfaction of all costs identified in a City Certificate that also states that such costs represent all then-

applicable District creation costs and costs of issuance related to a particular Series of Bonds shall be transferred to the Project Fund's Projects Account.

If the City Representative reasonably determines that amounts then on deposit in the Project Fund's Projects Account are not expected to be expended for payment of Actual Costs of Authorized Improvements due to completion, abandonment, or constructive abandonment, as the case may be, of some or all of the Authorized Improvements, such that, in the City Representative's opinion (reasonably exercised), the amounts then-held in the Project Fund's Projects Account are unlikely to ever be expended for the purposes specified in the Indenture, then the City Representative shall file with the Trustee a City Certificate identifying such amounts then-on deposit in the Projects Account and directing their transfer to the Redemption Fund. Upon transfer of such funds to the Redemption Fund, the Trustee shall (on the earliest practical date after requisite notice has been provided in accordance with the applicable provisions hereof) effect the redemption of Bonds of the Series to which such transferred proceeds relate. The Project Fund, including the Accounts therein held, shall thereafter be closed.

Reserve Fund

Provisions Relating to Both Accounts of the Reserve Fund.

Amounts from time to time on deposit in either Account of the Reserve Fund shall, if at all, be transferred by the Trustee to the Principal and Interest Account of the Bond in the manner and amounts, at the times, and in the order of priority prescribed in the Indenture. The Trustee shall provide written notice to the City of such a transfer from either Account of the Reserve Fund to the Principal and Interest Account of the Bond Fund, specifying (in such notice) the amount withdrawn and the source of said funds (being either Pledged Revenues deposited to such Account or Accounts pursuant to the Indenture, or proceeds of Bonds or Additional Bonds).

At the final maturity of the Bonds, amounts on deposit in the Accounts of the Reserve Fund shall be transferred to the Principal and Interest Account of the Bond Fund and applied to the payment of such finally maturing principal of the Bonds.

If the total amount held in the Accounts of the Reserve Fund, together with the amounts at such time held in the Principal and Interest Account of the Bond Fund and Redemption Fund, is sufficient to pay the Redemption Price of all then-Outstanding Bonds, such funds shall be immediately transferred to the Redemption Fund and thereafter used to redeem all Outstanding Bonds on the earliest practicable redemption date established pursuant to the applicable provisions of the Indenture.

Reserve Account. Whether from proceeds of Bonds or by deposit from Pledged Revenues pursuant to the Indenture, there shall be accumulated and maintained in the Reserve Account of the Reserve Fund an amount at least equal to the Reserve Account Requirement. Pursuant to the Indenture, the "Reserve Account Requirement" for the Bonds shall be an amount equal to the least of (calculated from time to time as permitted under the Indenture): (i) Maximum Annual Debt Service on the Bonds, (ii) 125% of average Annual Debt Service on the Bonds, or (iii) 10% of the par amount of the Bonds. The Reserve Account Requirement shall also take into account debt service on Additional Bonds, when and if issued. The Reserve Account Requirement resultant from the issuance of the Series 2022 Bonds shall be fully satisfied by the Reserve Account deposit made pursuant to, in accordance with, and from the source of funds identified in the Indenture. As of the Closing Date for the Series 2022 Bonds, the Series 2022 Reserve Account Requirement is \$ _____, which is an amount equal to [Maximum Annual Debt Service] on the Series 2022 Bonds as of such date.

Whenever Bonds are to be redeemed with Prepayment proceeds pursuant to an extraordinary optional redemption, a proportionate amount of the total amount (determined as described in the Indenture) at such time held in the Reserve Account of the Reserve Fund shall, on the Business Day immediately preceding the redemption date established by the Trustee pursuant to such the Indenture, be transferred to the Redemption Fund for application against the Redemption Price of such redeemed Bonds. The amount so transferred from the Reserve Account shall be equal to an amount representing the difference between (i) the lesser of (A) the Reserve Account Requirement prior to such redemption and (B) the amount actually on deposit in the Reserve Account prior to redemption, and (ii) the Reserve Account Requirement after such redemption; provided, however, no such transfer from the Reserve Account

shall cause the amount on deposit therein to be less than the Reserve Account Requirement after effectuation of such redemption of Bonds.

If, after accomplishing the transfer described in the preceding paragraph, the amounts then on deposit in the Redemption Fund (including investment earnings on amounts previously therein held) are insufficient to pay the Redemption Price of those Bonds called for redemption as a result of such Prepayment, the Trustee shall, to the extent of funds at such time therein held, transfer all or a portion of the Delinquency and Prepayment Reserve Requirement, in an amount equal to the aforementioned deficiency, from the Delinquency and Prepayment Reserve Account to the Redemption Fund and apply the same against the Redemption Price of such redeemed Bonds.

Whenever, on any Interest Payment Date or, at the written request of a City Representative, any other date, the amount in the Reserve Account exceeds the Reserve Account Requirement, the Trustee shall (A) provide written notice to the City Representative of the amount of the excess, (B) transfer such excess amount to the Principal and Interest Account of the Bond Fund, and (C) use such excess transferred amount for payment of interest on the Bonds due and owing on the next occurring Interest Payment Date in accordance with the Indenture; UNLESS, within 45 days of its delivery to the City Representative of the notice described in clause (A) of this paragraph, the Trustee receives a City Certificate instructing the Trustee to utilize such excess Reserve Account amount: (i) to pay amounts due under the Indenture, (ii) by transferring therefrom to the Administrative Expense Fund an amount not in excess of the Administrative Expenses for the then-current year, or (iii) by transferring therefrom to the Projects Account of the Project Fund (if accompanied by a City Certificate providing that the expenditure of such transferred excess funds is expected to occur not later than the third anniversary of the Closing Date of the Series of Bonds to which such transfer relates or an opinion of nationally recognized bond counsel that such transfer will not result in a violation of the City's covenants in the Indenture).

Delinquency and Prepayment Reserve Account. Pursuant to the Indenture, a Delinquency and Prepayment Reserve Account has been created within the Reserve Fund, held by the Trustee for the benefit of the Bonds. The "Delinquency and Prepayment Reserve Requirement" means an amount equal to 5.5% of the principal amount of the then Outstanding Bonds. The City has allocated the Additional Interest authorized by the PID Act for this purpose.

As and when provided in the Indenture, the Trustee will transfer from the Pledged Revenue Fund to the Delinquency and Prepayment Reserve Account the Additional Interest, which the City shall impose, collect, and cause to be deposited until the Delinquency and Prepayment Reserve Requirement has been accumulated in the Delinquency and Prepayment Reserve Account. If, after having satisfied the Delinquency and Prepayment Reserve Requirement, the amount on deposit in the Delinquency and Prepayment Reserve Account shall at any time be less than the Delinquency and Prepayment Reserve Requirement, the Trustee shall notify the City, in writing, of the amount of such deficiency, and the City shall begin again collecting the Additional Interest pursuant to the Indenture. Thereafter, the City Certificate delivered to the Trustee pursuant to the Indenture shall again instruct the Trustee to deposit the Additional Interest from Pledged Revenue Fund into the Delinquency and Prepayment Reserve Account and shall so continue until the Delinquency and Prepayment Reserve Requirement has again been accumulated in the Delinquency and Prepayment Reserve Account; provided, however, that the City shall not be required to replenish the Delinquency and Prepayment Reserve Account in the event funds are transferred from the Delinquency and Prepayment Reserve Account to the Redemption Fund as a result of an extraordinary optional redemption of Bonds from the proceeds of a Prepayment pursuant to the Indenture. If, after such deposits, there is surplus Additional Interest remaining, the Trustee shall transfer such surplus Additional Interest to the Redemption Fund and shall notify the City of such transfer in writing. If the City Certificate delivered pursuant to the Indenture does not identify an amount of Additional Interest and Additional Interest is being collected pursuant to the Indenture, the Trustee, in calculating the amounts to be transferred pursuant to the Indenture, may conclusively rely on the Annual Installments as shown on the Assessment Roll in the Service and Assessment Plan or an Annual Service Plan Update, unless and until it receives a City Certificate directing that a different amount be used.

Whenever, on any Interest Payment Date or, at the written request of a City Representative, any other date, the amount in the Delinquency and Prepayment Reserve Account exceeds the Delinquency and Prepayment Reserve Requirement, the Trustee shall (A) provide written notice to the City Representative of the amount of the excess and (B) transfer, at the direction of the City pursuant to a City Certificate, to the Administrative Expense Fund for the payment of all or a portion of the Administrative Expenses or to the Redemption Fund for use in effecting a redemption of Bonds pursuant to the Indenture; provided, however, that if the Trustee does not, within 45 days of its delivery to

the City Representative the notice to described in clause (A) of this paragraph, receive a City Certificate directing the transfer of the excess Delinquency and Prepayment Reserve Account balance to the Administrative Expense Fund, the Trustee shall transfer such excess Delinquency and Prepayment Reserve Account balance to the Redemption Fund and use such transferred amount to redeem Bonds pursuant to the Indenture.

Excess Collections Fund

The City has created under the Indenture an Excess Collections Fund held by the Trustee. Amounts from time to time on deposit in the Excess Collections Fund shall be used by the Trustee, *first*, to cure any deficiency in any of the other Pledged Funds and Accounts, and *second* (after first determining that there then-exists no balance deficiency in any other Pledged Fund and Account), as and when directed by the City in a City Certificate, for any lawful purpose permitted by the PID Act for which Assessment Revenues may be used (including redemption of Bonds); provided, however, that if the Actual Costs of Authorized improvements, as contemplated from time to time under the Service and Assessment Plan, have been fully paid and the Reimbursement Obligation satisfied, then amounts from time to time on deposit in the Excess Collections Fund shall be transferred to the Redemption Fund when and as directed by the City and used to effectuate a redemption of Bonds pursuant to the Indenture. If amounts from the Excess Collections Fund are to be used to pay Actual Costs of Authorized Improvements, the City Certificate directing such use shall be accompanied by a Certification for Payment.

Any direct payment of Actual Costs of Authorized Improvements from proceeds from time to time held in the Excess Collections Fund that would otherwise be paid directly by the Developer under the Completion Agreement and whose costs would then comprise a portion of the Reimbursement Obligation shall satisfy and discharge as an obligation of the City a corresponding amount of the Reimbursement Obligation.

Administrative Expenses Fund

The City has created under the Indenture an Administrative Expense Fund held by the Trustee. The Trustee shall, immediately upon receipt, deposit or cause to be deposited to the Administrative Expense Fund, from Assessment Revenues delivered to the Trustee by the City, the amount of such Assessment Revenues attributable to that portion of the Assessments (from which such Assessment Revenues are derived) imposed for the purpose of providing a City source of payment for Administrative Expenses and Delinquent Collection Costs. Amounts from time to time on deposit in the Administrative Expense Fund shall be delivered by the Trustee to the City as and when directed by the City in a City Certificate, for use by the City to pay (directly or by reimbursement) Administrative Expenses and Delinquent Collection Costs, in accordance with and as described in the applicable provisions of the Service and Assessment Plan concerning the use of such portions of Assessment Revenues.

Administrative Expenses collected but not expended in any year, and that remain on deposit in the Administrative Expense Fund, shall be carried forward and applied to reduce requisite deposits to the Administrative Expense Fund for subsequent years. See “APPENDIX C — Form of Service and Assessment Plan.”

THE ADMINISTRATIVE FUND SHALL NOT BE PART OF THE TRUST ESTATE AND SHALL NOT BE SECURITY FOR THE BONDS.

Reimbursement Fund

Upon depletion of funds on deposit in the Project Fund, amounts from time to time on deposit in the Reimbursement Fund shall be used for payment to the Developer in satisfaction of, and to be applied by the Developer against, the Reimbursement Obligation pursuant to the terms of the Reimbursement Agreement and when and as specified in a City Certificate.

When the City provides written notice to the Trustee that the Reimbursement Obligation has been fully satisfied (whether by payment, from any source, of amounts due to the Developer under the Reimbursement Agreement or by direct payment of Actual Costs of Authorized Improvements that were intended to comprise a portion of the Reimbursement Obligation), no further deposits shall be made to the Reimbursement Fund, amounts at such

time on deposit in the Reimbursement Fund shall be transferred to the Excess Collections Fund, and the Reimbursement Fund shall be closed.

THE REIMBURSEMENT FUND SHALL NOT BE A PART OF THE TRUST ESTATE AND SHALL NOT BE SECURITY FOR THE BONDS.

Defeasance

All Outstanding Bonds shall, prior to the Stated Maturity or redemption date thereof, be deemed to have been paid and to no longer be deemed Outstanding within the meaning of the Indenture (a “Defeased Debt”), when payment of the principal of, premium, if any, on such Defeased Debt, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, upon redemption, or otherwise), either (i) shall have been made in accordance with the terms thereof, or (ii) shall have been provided by irrevocably depositing with the Trustee, in trust, and irrevocably set aside exclusively for such payment, (A) money sufficient to make such payment or (B) Defeasance Securities, certified by an independent public accounting firm of national reputation or other qualified entity, other than the Issuer, to mature as to principal and interest in such amount and at such times as will insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation, and expenses of the Trustee pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for. Neither Defeasance Securities nor moneys deposited with the Trustee nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on the Bonds. Any cash received from such principal of and interest on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall be reinvested in Defeasance Securities as directed by the County maturing at times and in amounts sufficient to pay when due the principal of and interest on the Bonds on and prior to such redemption date or maturity date thereof, as the case may be. Any payment for Defeasance Securities purchased for the purpose of reinvesting cash as aforesaid shall be made only against delivery of such Defeasance Securities.

“Defeasance Securities” means (i) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by, the United States of America; (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent; (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, or (iv) any additional securities and obligations hereafter authorized by the laws of the State as eligible for use to accomplish the discharge of obligations such as the Bonds.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Indenture does not contractually limit such investments, Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or that for any other Defeasance Security will be maintained at any particular rating category.

Events of Default

Each of the following occurrences or events constitutes an “Event of Default” under the Indenture:

- (i) the failure of the City to deliver Assessment Revenues to the Trustee for deposit;
- (ii) the failure of the City to enforce the collection of the Assessments including the prosecution of foreclosure proceedings, in accordance with the Indenture;

(iii) the failure to make payment of the principal of or interest on any of the Bonds when the same becomes due and payable; and

(iv) default in the performance or observance of any covenant, agreement or obligation of the City under the Indenture and the continuation thereof for a period of 90 days after written notice to the City by the Trustee, or by the Owners of a Majority Interest of the Bonds with a copy to the Trustee, specifying such default and requesting that the failure be remedied.

Remedies in Event of Default

Upon the happening and continuance of any one or more of the Events of Default described in the Indenture, the Trustee may, and at the written direction of the Owners of a Majority Interest of the Bonds and its receipt of indemnity satisfactory to it shall, proceed against the City for the purpose of protecting and enforcing the rights of the Owners under the Indenture, by action seeking mandamus or by other suit, action, or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief to the extent thereby permitted or by Applicable Laws, including (but not limited to) the specific performance of any covenant or agreement contained in the Indenture, or injunction; provided, however, that any action for money damages against the City shall be limited in recovery to the assets of the Trust Estate (including the Pledged Revenues and amounts from time to time on deposit and then-held in the Pledged Funds and Accounts). The Trustee retains the right to obtain the advice of counsel in its exercise of remedies for default.

THE PRINCIPAL OF THE BONDS SHALL NOT BE SUBJECT TO ACCELERATION UNDER ANY CIRCUMSTANCES.

If the assets of the Trust Estate are sufficient to pay all amounts due with respect to all then-Outstanding Bonds, then the City, in the selection of Trust Estate assets to be used in the payment of Bonds due in an Event of Default, shall determine, in its absolute discretion, and shall instruct the Trustee by City Certificate, which Trust Estate assets shall be applied to such payment and shall not be liable to any Owner or other Person by reason of such selection and application. In the event that the City shall fail to deliver to the Trustee such City Certificate, the Trustee shall select and liquidate or sell Trust Estate assets as provided in the following paragraph, and shall not be liable to any Owner, or other Person, or the City by reason of such selection, liquidation or sale. The Trustee shall have no liability for its selection of Trust Estate assets to liquidate or sell.

Whenever moneys are to be applied pursuant to the Indenture, irrespective of and whether other remedies authorized under the Indenture shall have been pursued in whole or in part, the Trustee may cause any or all of the assets of the Trust Estate (including Authorized Investments), to be sold. The Trustee may so sell the assets of the Trust Estate and all right, title, interest, claim and demand thereto and the right of redemption thereof, in one or more parts, at any such place or places, and at such time or times and upon such notice and terms as the Trustee may deem appropriate and as may be required by law and apply the proceeds thereof in accordance with the provisions of the Indenture. Upon such sale, the Trustee may make and deliver to the purchaser or purchasers a good and sufficient assignment or conveyance for the same, which sale shall be a perpetual bar both at law and in equity against the City, and all other Persons claiming such properties. No purchaser at any sale shall be bound to see to the application of the purchase money proceeds thereof or to inquire as to the authorization, necessity, expediency, or regularity of any such sale. Nevertheless, if so requested by the Trustee, the City shall ratify and confirm any sale or sales by executing and delivering to the Trustee or to such purchaser or purchasers all such instruments as may be necessary or, in the judgment of the Trustee, proper for the purpose which may be designated in such request.

Restriction on Owner's Actions

No Owner shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement under the Indenture or for the execution of any trust thereof or any other remedy thereunder, unless (i) a default has occurred and is continuing of which the Trustee has been notified in writing, (ii) such default has become an Event of Default and the Owners of a Majority Interest of the Bonds have made written request to the Trustee and offered it reasonable opportunity either to proceed to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name, (iii) the Owners have furnished to the Trustee indemnity as provided in the Indenture, (iv) the Trustee has for 60 days after such notice failed or refused to exercise the powers granted in the

Indenture, or to institute such action, suit, or proceeding in its own name, (v) no written direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Owners of a Majority Interest, and (vi) notice of such action, suit, or proceeding is given to the Trustee in writing; however, all proceedings at law or in equity shall be instituted and maintained in the manner provided in the Indenture and for the equal benefit of the Owners of all Bonds then Outstanding. The notification, request and furnishing of indemnity set forth above shall, at the option of the Trustee, as advised by counsel, be conditions precedent to the execution of the powers and trusts of the Indenture and to any action or cause of action for the enforcement of the Indenture or for any other remedy under the Indenture.

Subject to certain limitations contained in Article VII of the Indenture, nothing in the Indenture shall affect or impair the right of any Owner to enforce payment of any Bond at and after the maturity thereof, or on the date fixed for redemption or the obligation of the City to pay each Bond issued thereunder to the respective Owners thereof at the time and place, from the source and in the manner expressed in the Indenture and in the Bonds.

In case the Trustee or any Owners shall have proceeded to enforce any right under the Indenture and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or any Owners, then and in every such case the City, the Trustee and the Owners shall be restored to their former positions and rights thereunder, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Application of Revenues and Other Moneys After Event of Default

All moneys, securities, funds and Pledged Revenues, the Pledged Funds and Accounts, or other assets of the Trust Estate and the income therefrom received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture with respect to Events of Default shall, after payment of the cost and expenses of the proceedings resulting in the collection of such amounts, the expenses (including its counsel fees, costs, and expenses), liabilities, and advances incurred or made by the Trustee and the fees of the Trustee in carrying out the Indenture, during the continuance of an Event of Default, notwithstanding the provisions in the Indenture, shall be applied by the Trustee, on behalf of the City, to the payment of interest and principal or Redemption Price then due on Bonds, as follows:

(i) FIRST: To the payment to the Owners entitled thereto all installments of interest then due in the direct order of maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the Owners entitled thereto, without any discrimination or preference; and

(ii) SECOND: To the payment to the Owners entitled thereto of the unpaid principal of Outstanding Bonds, or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the direct order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due and to the Owners entitled thereto, without any discrimination or preference.

Within ten days of receipt of such good and available funds, the Trustee may fix a record and payment date for any payment to be made to Owners pursuant to the Indenture.

In the event funds are not adequate to cure any of the Events of Default described in the Indenture, the available funds shall be allocated to the Bonds that are Outstanding in proportion to the quantity of Bonds that are currently due and in default under the terms of the Indenture.

The restoration of the City to its prior position after any and all defaults have been cured, as provided in the Indenture, shall not extend to or affect any subsequent default under the Indenture or impair any right consequent thereon.

Investment or Deposit of Funds

Money in any Fund or Account established pursuant to the Indenture shall be invested by the Trustee only as directed by the City pursuant to the terms of a City Certificate filed with the Trustee at least two days in advance of the making of such investment (or directed as described below) and only in Authorized Investments. The aforementioned City Certificate shall direct investment of funds in such Authorized Investments of adequate liquidity so that money required to be expended from any Fund or Account is available at the time or times required of such funds pursuant to the applicable terms of this Indenture. To ensure that cash on hand is invested, if the City does not give the Trustee written or timely instructions with respect to investments of funds, the City in the Indenture, has directed the Trustee is hereby directed to invest and re-invest cash balances in the Morgan Stanley Gov't Fund #8352 (CUSIP 61747C889), provided that the money required to be expended from any Fund or Account will be available at the proper time or times as specified in the Indenture.

Authorized Investments held in any Pledged Fund or Account, as well as resultant earnings therefrom, shall be deemed to be part of such Pledged Fund or Account, subject, however, to the requirements of the Indenture to transfer investments earnings from one Pledged Fund or Account to another. Investments of any Pledged Fund or Account shall be valued each year in terms of current market value as of September 30. The Trustee and its affiliates may act as sponsor, depository, principal or agent in the acquisition or disposition of any Authorized Investment. The Trustee shall not incur any liability for losses arising from any investments made pursuant to the Indenture. The Trustee shall not be required to determine the suitability or legality of any investments or whether investments qualify as Authorized Investments. Authorized Investments of proceeds of any and all Pledged Funds and Accounts may be commingled in a separate fund or funds for purposes of making, holding and disposing of Authorized Investments, notwithstanding provisions in the Indenture for transfer to or holding in or to the credit of particular Pledged Funds or Accounts of amounts received or held by the Trustee thereunder, provided that the Trustee shall at all times account for such investments strictly in accordance with the Pledged Funds and Accounts to which they are credited, segregated from all other money, investments, funds and accounts (including other Pledged Funds or Accounts) from time to time held by the Trustee. Amounts on deposit in Pledged Funds and Accounts created and maintained under the Indenture, to the extent not invested in Authorized Investments as permitted in the Indenture, shall be secured in the manner and to the fullest extent required by applicable State law for the security of public funds.

Additional Liens, Encumbrances and Indebtedness; Additional Bonds and Refunding Bonds

Other than Additional Bonds and bonds issued to refund any Outstanding Bonds ("Refunding Bonds"), the City, for so long as Bonds remain Outstanding, shall not create and, to the extent Pledged Revenues are received, shall not suffer to remain, any lien, encumbrance or charge upon the Pledged Revenues, the Trust Estate, or any other property pledged under this Indenture other than the lien thereon and pledge thereof thereunder created for the equal and ratable security of the Bonds. Notwithstanding the foregoing, the City reserves the right to issue or incur other obligations (including evidences of indebtedness) under other indentures, orders, or documentation of similar form.

The City, subject to the following provisions and upon satisfaction of the specified and applicable conditions precedent, reserves (i) the right, but (except as otherwise provided in the Financing Agreement) shall not be obligated, to issue Additional Bonds to finance the Actual Costs of Authorized Improvements or to satisfy all or part of the Reimbursement Obligation and (ii) the right to issue Refunding Bonds for the purpose of refunding all or any portion of then-Outstanding Bonds:

(i) Each Series of Additional Bonds or Refunding Bonds shall be issued pursuant to a Supplemental Indenture, authorized and approved by order of the City Council, which Supplemental Indenture shall specify the terms and characteristics of such Series of Additional Bonds or Refunding Bonds (to include the date, rate or rates of interest on, interest payment dates, maturity dates, redemption and all other terms and provisions thereof), subject to the terms and limitations herein provided;

(ii) The principal (including any sinking fund installment) of any Series of Additional Bonds or Refunding Bonds must be scheduled to mature on September 1 of the years in which principal of any such Series of Bonds is scheduled to mature;

(iii) The interest on any Series of Additional Bonds or Refunding Bonds must be calculated at fixed rate(s) and be scheduled for payment on March 1 and September 1 of the years in which interest is scheduled to be paid;

(iv) Prior to the issuance of any Series of Additional Bonds or Refunding Bonds, the following conditions precedent must have been observed or accomplished:

(A) The City shall have delivered or caused to be delivered to the Trustee:

(1) a copy, certified by the City Secretary of the City, of the City Council's ordinance or ordinances authorizing the issuance, sale, execution and delivery of the Series of Additional Bonds or Refunding Bonds and the execution and delivery of a Supplemental Indenture pursuant to which the same are issued;

(2) an original, executed counterpart of such Supplemental Indenture;

(3) certain additional items described in the Indenture;

(4) a copy of opinion or opinions of Bond Counsel relating to such Series of Additional Bonds or Refunding Bonds, as required by under the Indenture;

(5) a certificate of a City Representative that (x) includes the certifications required in the Indenture; (y) certifies that the issuance of the subject Series of Additional Bonds or Refunding Bonds complies with the requirements contained in the Indenture and in each Supplemental Indenture applicable to the issuance of such additional Series of Bonds; and (z) certifies that the City is not in default in the performance and observance of any of the terms, provisions and conditions applicable to the City contained in the Indenture or in any Supplemental Indenture; and

(6) the approving opinion of the Attorney General and the Comptroller's registration certificate, each regarding the subject additional Series of Bonds.

(B) Any deficiency in the Reserve Account Requirement resultant from the issuance of the subject Series of Additional Bonds or Refunding Bonds shall be satisfied in a manner permitted pursuant to the Indenture as of the Closing Date of such applicable Series of Bonds.

(v) In addition to the requirements specified in Paragraph (iv) above applicable to the issuance of any Series of Additional Bonds or Refunding Bonds, prior to the issuance of any Series of Additional Bonds, the following conditions precedent must have also been observed or accomplished:

(A) The City Representative shall have delivered to the Trustee a written certification evidencing that:

(1) the City is not in default in the performance and observance of any of the terms, provisions and conditions under the Indenture contained that are applicable thereto;

(2) the Developer is not delinquent with respect to any of its duties or obligations (including payment obligations) arising under the Completion Agreement, the Development Agreement, or the Financing Agreement; and

(3) the maximum principal amount of Additional Bonds to be issued is the lesser of (y) the sum of the then-outstanding balance of the Reimbursement Obligation plus unpaid Actual Costs that are also "Reimbursable Actual Costs" under the Completion Agreement and (z) the then-outstanding and unpaid Assessments, less the amount of Assessments required to pay the principal of the then-Outstanding Bonds;

(B) The Developer, acting through an authorized representative, shall have provided to the Trustee written certification that the Developer is not in default beyond any applicable notice and cure period in the performance and observance of any of the terms, provisions and conditions applicable to, the performance of any duty or obligation of, or the observance of any responsibility of the Developer contained in the Financing Agreement, the Completion Agreement, or the Development Agreement;

(C) The Administrator shall have provided to the Trustee written certification that the Developer is not delinquent with respect to the payment of Assessments, or any ad valorem taxes (other than any ad valorem taxes being contested in good faith) levied and imposed, respectively, on any Assessed Property; and

(D) The Trustee shall have received a certificate or report from an independent certified appraiser, appraisal firm or financial consultant (which financial consultant may be the Administrator or other similar firm experienced in the field of public improvement district assessments and the administration of public improvement districts), assuming completion of the Authorized Improvements, demonstrating that the ratio of the aggregate appraised value of all Assessed Properties within the District to the aggregate principal amount of the Outstanding Bonds and the Additional Bonds to be issued (the Value to Lien Ratio) is at least 3:1. In calculating the Value to Lien Ratio for purposes of compliance with this paragraph, the independent certified appraiser, appraisal firm or financial consultant may rely on builder contracts, a certificate from the Administrator identifying lots for which home construction has commenced or the San Patricio Tax Assessor/Collector's estimated assessed valuation for completed homes (home and lot assessed valuation) and estimated lot valuation for lots on which homes are under construction.

(vi) Upon satisfaction of each of the applicable conditions precedent to the issuance of a Series of Additional Bonds or Refunding Bonds, as described above, an initial bond or bonds representing such Series of Bonds shall be executed by the City and delivered to the Trustee, whereupon the Trustee shall authenticate such Bonds and, upon payment of the purchase price therefor, deliver such Series of Bonds upon the order of the City.

(REMAINDER OF PAGE IS INTENTIONALLY LEFT BLANK.)

SOURCES AND USES OF FUNDS

The table that follows summarizes the expected sources and uses of proceeds of the Series 2022 Bonds⁽¹⁾:

| | |
|--|-----------|
| Sources of Funds: | |
| Principal Amount | \$ |
| TOTAL SOURCES | \$ |
| Use of Funds: | |
| Deposit to Projects Account of the Project Fund | \$ |
| Deposit to Costs of Issuance Account of Project Fund | |
| Deposit to Capitalized Interest Account of the Bond Fund | |
| Deposit to Reserve Account of the Reserve Fund | |
| Deposit to the Administrative Expenses Fund | |
| Underwriter's Discount ⁽²⁾ | |
| TOTAL USES | \$ |

⁽¹⁾ To be updated and completed upon pricing.

⁽²⁾ Includes Underwriter's Counsel's fee of \$_____.

(REMAINDER OF PAGE IS INTENTIONALLY LEFT BLANK.)

DEBT SERVICE REQUIREMENTS

The following table sets forth the anticipated debt service requirements for the Series 2022 Bonds:⁽¹⁾

| <u>Year Ending</u> <u>(September 30)</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|-------------------------|------------------------|---------------------|
| 2022 ⁽²⁾ | \$ | \$ | \$ |
| 2023 ⁽²⁾ | | | |
| 2024 | | | |
| 2025 | | | |
| 2026 | | | |
| 2027 | | | |
| 2028 | | | |
| 2029 | | | |
| 2030 | | | |
| 2031 | | | |
| 2032 | | | |
| 2033 | | | |
| 2034 | | | |
| 2035 | | | |
| 2036 | | | |
| 2037 | | | |
| 2038 | | | |
| 2039 | | | |
| 2040 | | | |
| 2041 | | | |
| 2042 | | | |
| 2043 | | | |
| 2044 | | | |
| 2045 | | | |
| 2046 | | | |
| 2047 | | | |
| 2048 | | | |
| 2049 | | | |
| 2050 | | | |
| 2051 | | | |
| Total | \$ | \$ | \$ |

⁽¹⁾ To be updated and completed upon pricing.

⁽²⁾ Interest due in 2022 and 2023 will be paid from amounts on deposit in the Capitalized Interest Account.

(REMAINDER OF PAGE IS INTENTIONALLY LEFT BLANK.)

OVERLAPPING TAXES AND DEBT

The land within the District has been, and is expected to continue to be, subject to taxes and assessments imposed by taxing entities other than the City. Such taxes are payable in addition to the Assessments.

In addition to the Assessments, the Developer anticipates that each property owner in the District will pay an annual homeowners' association fee to an owners' association (the "OA") to be formed by the Developer. In accordance with the Development Agreement, upon its creation, the OA shall enter into a maintenance agreement (the "Maintenance Agreement") with the City, pursuant to which the OA will agree to be responsible for the annual costs of maintaining the District's amenity features, monuments, esplanades, open spaces, common areas (including, but not limited to, all landscaped District entrances), right-of-way landscaping (including irrigation systems), raised medians and other right-of-way landscaping, detention areas, drainage areas and screening walls within the District (the "OA Maintenance Obligations"). In the event the OA fails to perform its obligations in accordance with the terms of the Maintenance Agreement, the City may assume such obligations (either directly or by contract with a third party) and recover the resultant costs through a maintenance assessment, as described in the Service and Assessment Plan (the "Maintenance Assessment"). See "ASSESSMENT PROCEDURES — Maintenance Assessment" and "APPENDIX C — Form of Service and Assessment Plan."

In addition to the City, each of the County, Sinton Independent School District ("Sinton ISD") and the Drainage District may levy ad valorem taxes upon land in the District for payment of debt incurred by such governmental entities and/or for payment of maintenance and operations expenses. The City has no control over the level of ad valorem taxes or special assessments levied by such other taxing authorities.

(REMAINDER OF PAGE IS INTENTIONALLY LEFT BLANK.)

The following table reflects the overlapping ad valorem taxes currently levied on property located in the District.

Overlapping Taxes in the District

| <u>Taxing Entity</u> | <i>Without application of Estimated TIRZ Annual Credit Amount</i> Tax Year 2021 Ad Valorem <u>Tax Rate⁽¹⁾</u> | <i>With application of Estimated TIRZ Annual Credit Amount</i> Tax Year 2021 Ad Valorem <u>Tax Rate⁽¹⁾</u> |
|--|---|--|
| The City | \$0.759300 | \$0.759300 |
| San Patricio County | 0.398976 | 0.398976 |
| San Patricio County (Road and Bridge) | 0.096181 | 0.096181 |
| Sinton ISD | 1.440300 | 1.440300 |
| San Patricio County Drainage District | <u>0.061252</u> | <u>0.061252</u> |
| Total Current Tax Rate | \$2.756009 | \$2.756009 |
| Estimated Average Annual Installment of Assessment as an Equivalent Tax Rate ⁽²⁾ | \$0.914247 | \$0.914247 |
| Estimated Average Annual Credit Amount applicable to Annual Installment of Assessment as an Equivalent Tax Rate ⁽³⁾ | - | <u>(\$0.523459)</u> |
| <i>Estimated Net Average Annual Installments as an Equivalent Tax Rate</i> | <u>\$0.914247</u> | <u>\$0.390788</u> |
| Estimated Total Tax Rate and Average Annual Installments of Assessment as an Equivalent Tax Rate⁽²⁾⁽³⁾ | \$3.670256 | \$3.146797 |

⁽¹⁾ As reported by the taxing entities. Per \$100 in value.

⁽²⁾ Derived from information in the Service and Assessment Plan, and from lot counts and estimated buildout values provided by the Developer. Shown as an equivalent tax rate for illustration purposes only. Includes Assessments levied for payment of the Series 2022 Bonds and the Reimbursement Obligation. See "APPENDIX C — Form of Service and Assessment Plan." Preliminary; subject to change.

⁽³⁾ In the TIRZ Ordinance and TIRZ Project Plan, the City, County and Drainage District have agreed to use TIRZ Revenues generated from each parcel or lot within the District to offset a portion of such lot's Annual Installment of Assessment due each year. Derived from information in the Service and Assessment Plan. See "ASSESSMENT PROCEDURES — Assessment Amounts – TIRZ Annual Credit Amount" herein.

Sources: San Patricio Central Appraisal District and Service and Assessment Plan.

(REMAINDER OF PAGE IS INTENTIONALLY LEFT BLANK.)

As noted above, the District includes territory located in other governmental entities that may issue or incur debt secured by the levy and collection of ad valorem taxes or assessments. Set forth below is an overlapping debt table showing the outstanding indebtedness payable from ad valorem taxes with respect to property within the District, as of December 1, 2021, and City debt to be secured by the Assessments:

Overlapping Debt in the District

| Taxing or Assessing Entity | Gross Outstanding Debt as of December 1, 2021 | Estimated % Applicable ⁽¹⁾ | Estimated Overlapping Debt ⁽¹⁾ |
|--|--|--|--|
| The City (Assessments - The Series 2022 Bonds) | \$ 11,735,000 ⁽²⁾ | 100.00% | \$11,735,000 ⁽²⁾ |
| The City (Assessments – Reimbursement Obligation) | 17,071,452 ⁽²⁾ | 100.00% | 17,071,452 ⁽²⁾ |
| The City (Ad Valorem Taxes) | 3,780,000 | 15.33% | 579,474 |
| San Patricio County | 49,855,491 | 0.37% | 184,465 |
| San Patricio County (Road and Bridge) ⁽³⁾ | - | - | - |
| Sinton ISD | 68,045,000 | 4.49% | 3,055,221 |
| San Patricio County Drainage District ⁽³⁾ | - | - | - |
| Total | \$150,486,943 | | \$32,625,612 |

⁽¹⁾ Based on the Appraisal (as defined herein) for the District and on certified valuations for the Tax Year 2020 for the taxing entities.

⁽²⁾ Preliminary; subject to change.

⁽³⁾ San Patricio County (Road & Bridge Tax) and the Drainage District do not have outstanding general obligation debt.

Sources: San Patricio County Appraisal District and Municipal Advisory Council of Texas.

If land is devoted principally to agricultural use, the landowner can apply for an agricultural valuation on the property and pay ad valorem taxes based on the land’s productive capacity. Agricultural use includes production of crop or livestock. It also can include leaving the land idle for a government program or for normal crop or livestock rotation.

If land qualified for an agricultural valuation but the land use changes to a non-agricultural use, “rollback taxes” are assessed for each of the previous three years in which the land received the lower agricultural valuation. The rollback tax is the difference between taxes paid on land’s agricultural value and the taxes that the landowner would have paid if the land had been taxed on a higher market value for each year from the date on which taxes would have been due. If the land use changes to a non-agricultural use on only a portion of a larger tract, the landowner can fence off the remaining land and maintain the agricultural valuation on the remaining land. In this scenario, the landowner would only be responsible for rollback taxes on that portion of the land where use changed and not the entire tract.

A portion of the property within the District is currently subject to an agricultural valuation with respect to its ad valorem taxes. Additionally, such property is currently being leased to certain unaffiliated third parties for agricultural purposes only. The Developer expects to terminate the agricultural lease with respect to such property and remove the agricultural valuation no later than January 2022. The Developer or purchasers purchasing property from the Developer will pay rollback taxes with respect to such property.

ASSESSMENT PROCEDURES

General

Capitalized terms used under this caption and not otherwise defined in this Limited Offering Memorandum shall have the meaning given to such terms in the Service and Assessment Plan. As required by the PID Act, when the City determines to defray a portion of the costs of the Authorized Improvements through Assessments, it must adopt a resolution generally describing the Authorized Improvements and the land within the District to be subject to Assessments to pay the costs therefor. The City has caused an assessment roll to be prepared (the “Assessment Roll”), which Assessment Roll shows the Assessed Property within the District, the amount of the benefit to and the Assessment against each Assessed Property and the number of Annual Installments in which the Assessment is divided. The Assessment Roll has been filed with the City Secretary and made available for public inspection. Statutory notice has been given to the owners of the property to be assessed and a public hearing will be conducted to

hear testimony from affected property owners as to the propriety and advisability of undertaking the Authorized Improvements funding the same with Assessments. The City expects to levy the Assessments and adopt the Assessment Ordinance on January 18, 2022, after which the Assessments will become legal, valid and binding liens upon the Assessed Property. Under the PID Act, the costs of Authorized Improvements to be defrayed through Assessments may be assessed by the City against the Assessed Property so long as the special benefit conferred upon the Assessed Property by the Authorized Improvements equals or exceeds the Assessments. The costs of the Authorized Improvements may be assessed using any methodology that results in the imposition of equal shares of cost on Assessed Property similarly benefited. The allocation of benefits and assessments to the benefitted land within the District is presented in the Service and Assessment Plan, which should be read in its entirety. See “APPENDIX C — Form of Service and Assessment Plan.”

Assessment Methodology

The Service and Assessment Plan describes the special benefit to be received by each Parcel of Assessed Property as a result of the Authorized Improvements, provides the basis and justification for the determination that such special benefit exceeds the Assessments being levied, and establishes the methodology by which the City allocates the special benefit of the Authorized Improvements to Parcels in a manner that results in equal shares of costs being apportioned to Parcels similarly benefited. As described in the Service and Assessment Plan, a portion of the costs of the Authorized Improvements are being funded with proceeds of the Series 2022 Bonds, which are payable from and secured by Pledged Revenues, including the Assessments.

As set forth in the Service and Assessment Plan, the benefits received by the Assessed Parcels are currently spread among the existing Parcels in the District based on the ratio of the Equivalent Units of each Parcel to the total Equivalent Units within the District. As the existing parcels are subsequently divided, the Assessments will be further apportioned based on the ratio of the Equivalent Units of the newly created parcels. “Equivalent Units” means, as to any Parcel, the number of Equivalent Dwelling Units (as defined in the Service and Assessment Plan) by Lot Type (as defined herein) expected to be built on the Parcel multiplied by the factors calculated and shown in the following two tables. For an explanation of the original number of Equivalent Dwelling Units by Lot Type expected to be built on the Parcel as of the date of the original Service and Assessment Plan and the corresponding equivalent unit factors and total Equivalent Units, see “APPENDIX C — Form of Service and Assessment Plan.”

The City has determined that the foregoing method of allocation will result in the imposition of equal shares of the Assessments on Parcels similarly benefitted within the District. The Assessments and interest thereon are expected to be paid in Annual Installments as described above. The determination by the City of the assessment methodology set forth in the Service and Assessment Plan is the result of the discretionary exercise by the City Council of its legislative authority and governmental powers and is conclusive and binding on the Developer and all future owners and developers within the District. See “APPENDIX C — Form of Service and Assessment Plan.”

For purposes of the Service and Assessment Plan, the District consists of the following “Lot Types”:

“Lot Type 1” means Lots identified as such on an Assessment Roll, being single family Lots typically with a Lot width of approximately 80 feet and referred to as R-2 in the City of Sinton Zoning Ordinance (the “Zoning Ordinance”).

“Lot Type 2” means Lots identified as such on an Assessment Roll, being Lots described as restaurant and referred to as C in the Zoning Ordinance.

“Lot Type 3” means Lots identified as such on an Assessment Roll, being single family Lots typically with a Lot width of approximately 50 feet and referred to as R-2 in the Zoning Ordinance.

“Lot Type 4” means Lots identified as such on an Assessment Roll, being Lots described as office and referred to as C in the Zoning Ordinance.

“Lot Type 5” means Lots identified as such on an Assessment Roll, being Lots described as travel center and referred to as C in the Zoning Ordinance.

“**Lot Type 6**” means Lots identified as such on an Assessment Roll, being Lots described as retail and referred to as C in the Zoning Ordinance.

“**Lot Type 7**” means Lots identified as such on an Assessment Roll, being Lots described as multi-family units and referred to as R-2 in the Zoning Ordinance.

“**Lot Type 8**” means Lots identified as such on an Assessment Roll, being Lots described as hotel and referred to as C in the Zoning Ordinance.

The following table shows the current estimated number of units, rooms and square feet, as applicable, by Lot Type expected to be built on the Parcel, and the corresponding equivalent unit factors and total Equivalent Units:

Total Current Estimated Equivalent Units and Outstanding Assessment per Equivalent Units⁽¹⁾

| <u>Lot Type</u> | <u>No. of Units/Rooms /1,000 GSF⁽²⁾</u> | <u>Equivalent Unit Factor⁽³⁾</u> | <u>Total Equivalent Units</u> |
|---|--|---|-------------------------------|
| Lot Type 1 (Single Family – 80’) | 55 | 1.00 | 55.00 |
| Lot Type 2 (Restaurant) – in 1,000 Sq. Ft. | 47.5 | 0.95 | 45.13 |
| Lot Type 3 (Single Family – 50’) | 405 | 0.91 | 368.55 |
| Lot Type 4 (Office) – in 1,000 Sq. Ft. | 31.7 | 0.74 | 23.46 |
| Lot Type 5 (Travel Center) – in 1,000 Sq. Ft. | 6.7 | 0.73 | 4.89 |
| Lot Type 6 (Retail) – in 1,000 Sq. Ft. | 133.2 | 0.52 | 69.26 |
| Lot Type 7 (Multifamily) | 692 | 0.26 | 179.92 |
| Lot Type 8 (Hotel) | 175 | 0.18 | <u>31.50</u> |
| Total | | | 777.71 |

| | |
|---|-----------------|
| Total Outstanding Assessment ⁽⁴⁾ | \$28,806,452.00 |
| Total Assessment per Equivalent Unit ⁽⁴⁾ | \$ 37,040.19 |

- ⁽¹⁾ Derived from information in the Service and Assessment Plan.
- ⁽²⁾ Based on the total number of dwelling units for Lot Type 1, Lot Type 3 and Lot Type 7. Based on the number of estimated rooms for Lot Type 8. Based on the number of gross square feet (GSF) for Lot Type 3, Lot Type 5, Lot Type 6 and Lot Type 8, with numbers shown per 1,000 GSF.
- ⁽³⁾ Equivalent Unit Factors are rounded to two decimal places for presentation purposes.
- ⁽⁴⁾ Includes the Assessments securing the Series 2022 Bonds and the Assessments securing the Reimbursement Obligation. Preliminary; subject to change.

(REMAINDER OF PAGE IS INTENTIONALLY LEFT BLANK.)

The table below provides the value to lien analysis based on Lot Type in the District.

Value to Lien Analysis in the District⁽¹⁾

| <u>Lot Type</u> | <u>No. of Units/ Rooms/ 1,000 GSF⁽²⁾</u> | <u>Estimated Finished Lot Value per Unit/ Room/ 1,000 GSF⁽²⁾</u> | <u>Estimated Buildout Value per Unit/ Room/ 1,000 GSF⁽³⁾</u> | <u>Estimated Buildout Value per Lot Type⁽³⁾</u> | <u>Assessment related to the Bonds per Unit/Room 1,000 GSF</u> | <u>Assessment per Unit/Room 1,000 GSF</u> | <u>Estimated Ratio of Finished Lot Value per Unit/Room/ 1,000 GSF to the Bonds⁽⁴⁾</u> | <u>Estimated Ratio of Finished Lot Value per Unit/Room/ 1,000 GSF to Assessment⁽⁵⁾</u> | <u>Estimated Ratio of Estimated Buildout Value per Unit/Room/ 1,000 GSF to Assessment⁽⁵⁾</u> |
|-------------------------------------|---|---|---|--|--|---|--|---|---|
| Lot Type 1 (Single Family – 80’) | 55 | \$46,000 | \$275,000 | \$ 15,125,000 | \$15,089.21 | \$37,040.19 | 3.05:1 | 1.24:1 | 7.42:1 |
| Lot Type 2 (Restaurant) | 47.5 | 55,744 | 260,203 | 12,359,631 | 14,334.75 | 35,188.18 | 3.89:1 | 1.58:1 | 7.39:1 |
| Lot Type 3 (Single Family – 50’) | 405 | 34,004 | 250,000 | 101,250,000 | 13,731.18 | 33,706.57 | 2.48:1 | 1.01:1 | 7.42:1 |
| Lot Type 4 (Office) | 31.7 | 55,744 | 203,915 | 6,464,121 | 11,166.02 | 27,409.74 | 4.99:1 | 2.03:1 | 7.44:1 |
| Lot Type 5 (Travel Center) | 6.7 | 55,744 | 200,704 | 1,344,716 | 11,015.12 | 27,039.34 | 5.06:1 | 2.06:1 | 7.42:1 |
| Lot Type 6 (Retail) | 133.2 | 55,744 | 142,579 | 18,991,464 | 7,846.39 | 19,260.90 | 7.10:1 | 2.89:1 | 7.34:1 |
| Lot Type 7 (Multifamily) | 692 | 6,069 | 71,000 | 49,132,000 | 3,923.19 | 9,630.45 | 1.55:1 | 0.63:1 | 7.37:1 |
| Lot Type 8 (Hotel) | 175 | <u>16,723</u> | <u>49,808</u> | <u>8,716,461</u> | <u>2,716.06</u> | <u>6,667.23</u> | <u>6.16:1</u> | <u>2.51:1</u> | <u>7.47:1</u> |
| Total/Average | | \$23,053 | \$132,376 | \$213,383,393 | \$7,282.64 | \$18,631.69 | 3.17:1 | 1.29:1 | 7.40:1 |

⁽¹⁾ Based on the concept plan for the District. Derived from information in the Service and Assessment Plan. The actual unit counts and estimated value may vary from that shown above.

⁽²⁾ Estimated lot values for Lot Type 1 and Lot Type 3 are the actual prices under the lot purchase agreements and LOI with DR Horton and MKP Management, respectively, as described herein. Estimated lot values for Lot Type 7 are based on the appraised value for Tracts 9 & 10 as shown in the Appraisal divided by the total number of multi-family units (692). Estimated lot values for the remaining Lot Types are based on the aggregate appraised value for Tracts 2, 3, 4, 5, 6, 7, and 8 as shown in the Appraisal divided by the total number of gross square feet (271,600 GSF; of which 52,500 is allocable to the 175 hotel units (175 x 300 GSF = 52,500) and 219,100 is allocable to the remaining Lot Types). See “APPRAISAL OF PROPERTY WITHIN THE DISTRICT” and “APPENDIX F — Appraisal of the District.”

⁽³⁾ Estimated buildout value per unit/room/1,000 GSF have been rounded to the nearest whole number. Therefore, estimated buildout value per lot type may not equal the number of units/rooms/1,000 GSF multiplied by the estimated buildout value per unit/room/1,000 GSF, as shown in the table.

⁽⁴⁾ Includes only the Assessments securing the Bonds.

⁽⁵⁾ Includes the Assessments securing the Bonds and the Assessments securing the Reimbursement Obligation.

Collection and Enforcement of Assessment Amounts

Under the PID Act, the Annual Installments may be collected in the same manner and at the same time as ad valorem taxes of the City. The Assessments may be enforced by the City in the same manner that an ad valorem tax lien against real property is enforced. Delinquent installments of the Assessments incur interest, penalties and attorney’s fees in the same manner as delinquent ad valorem taxes. Under the PID Act, the Assessment Lien is a first and prior lien against the property assessed, superior to all other liens and claims except liens or claims for State, county, school district or municipality ad valorem taxes. See “BONDHOLDERS’ RISKS — Assessment Limitations” herein.

The City covenants in the Indenture to collect, or cause to be collected, Assessments as provided in the Assessment Ordinance. No less frequently than annually, City staff or a designee of the City shall prepare, and the City Council shall approve, an Annual Service Plan Update to allow for the billing and collection of Annual Installments. Each Annual Service Plan Update shall include an updated Assessment Roll and a calculation of the

Annual Installment for each Parcel. Administrative Expenses shall be allocated among all Parcels in proportion to the amount of the Annual Installments for the Parcels.

The City will covenants, agrees and warrants in the Indenture that, for so long as any Series 2022 Bonds are Outstanding and amounts are due to the Developer under the Reimbursement Agreement to reimburse it for funds that it has contributed to pay the costs of the Authorized Improvements, it will take and pursue all actions permissible under Applicable Laws to cause the Assessments to be collected and the liens thereof enforced continuously, in the manner and to the maximum extent permitted by Applicable Laws, and, to the extent permitted by Applicable Laws, to cause no reduction, abatement or exemption in the Assessments.

To the extent permitted by law, notice of the Annual Installments will be sent by, or on behalf of, the City to the affected property owners on the same statement or such other mechanism that is used by the City, so that such Annual Installments are collected simultaneously with ad valorem taxes and shall be subject to the same penalties, procedures, and foreclosure sale in case of delinquencies as are provided for ad valorem taxes of the City. Notwithstanding the foregoing, the City shall be permitted to reduce the Assessments on a Parcel within the District by the TIRZ Annual Credit Amount pursuant to the Development Agreement, the TIRZ Project Plan and the Service and Assessment Plan; provided, however, that no such reduction shall operate to reduce the amounts levied for the payment of the Administrative Expenses.

The City will determine or cause to be determined, no later than February 15 of each year, whether or not any Annual Installment is delinquent and, if such delinquencies exist, the City will order and cause to be commenced as soon as practicable any and all appropriate and legally permissible actions to obtain such Annual Installment, and any delinquent charges and interest thereon, including diligently prosecuting an action in district court to foreclose the currently delinquent Annual Installment. Notwithstanding the foregoing, the City will not be required under any circumstances to purchase or make payment for the purchase of the delinquent Assessment or the corresponding property.

The City expects that it will implement the basic timeline and procedures for Assessment collections and pursuit of delinquencies set forth in Exhibit C of the Continuing Disclosure Agreement of the Issuer set forth in APPENDIX E-1 and to comply therewith to the extent that the City reasonably determines that such compliance is the most appropriate timeline and procedures for enforcing the payment of delinquent Assessments.

The City will not be required under any circumstances to expend any funds for Delinquent Collection Costs in connection with its covenants and agreements under the Indenture or otherwise other than funds on deposit in the Administrative Fund.

Annual Installments will be paid to the City or its agent. Annual Installments are due when billed on or about October 1 each year and become delinquent on February 1. In the event Assessments are not timely paid, they will incur penalties and interest as set forth below:

| <u>Date Payment</u> | <u>Cumulative</u> | <u>Cumulative</u> | |
|---------------------|-------------------|-------------------|--------------|
| <u>Received</u> | <u>Penalty</u> | <u>Interest</u> | <u>Total</u> |
| February | 6% | 1% | 7% |
| March | 7% | 2% | 9% |
| April | 8% | 3% | 11% |
| May | 9% | 4% | 13% |
| June | 10% | 5% | 15% |
| July | 12% | 6% | 18% |

After July, the penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, a 20% attorney's collection fee may be added to the total penalty and interest charge. In general, property subject to lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. An automatic stay by creditors or other entities, including governmental units, could prevent governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In most

cases, post-petition Assessments are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

Assessment Amounts

Assessment Amounts. The maximum amounts of the Assessments have been established by the methodology described in the Service and Assessment Plan based on the Maximum Assessment Per Unit shown in the Service and Assessment Plan. “Maximum Assessment Per Unit” means an Assessment per Equivalent Unit for Authorized Improvements not to exceed \$37,040.19.* The Assessment Roll sets forth for each year the Annual Installment for each Parcel within the District. The Assessments may not exceed the amounts shown on the Assessment Roll. The Assessments will be levied against the Parcels comprising the Assessed Property, as indicated on the Assessment Roll. See “APPENDIX C — Form of Service and Assessment Plan.”

The Annual Installments shown on the Assessment Roll will be reduced to equal the actual costs of repaying the Series 2022 Bonds, the Reimbursement Obligation, the Additional Interest and actual Administrative Expenses (as provided for in the definition of such term), taking into consideration any other available funds for these costs, such as interest income on account balances.

Method of Apportionment of Assessments. For purposes of the Service and Assessment Plan, the City Council has determined that the Assessments shall be initially allocated to the Assessed Parcels based on the ratio of the Equivalent Units of each Parcel to the total Equivalent Units within the District. Upon the division of any Assessed Property without the recording of a subdivision plat, the PID Administrator shall reallocate the Assessment for the Assessed Property prior to the subdivision among the newly divided Assessed Properties according to the following formula:

$$A = B \times (C \div D)$$

Where the terms have the following meaning:

A = the Assessment for the newly divided Parcel

B = the Assessment for the Parcel prior to division

C = the estimated number of Equivalent Units to be built on each new subdivided Parcel

D = the sum of the estimated number of Equivalent Units to be built on all of the new subdivided Parcels

The sum of the Assessments for all newly subdivided Parcels shall equal the Assessment for the Parcel prior to subdivision. The calculation shall be made separately for each newly subdivided Parcel. The reallocation of an Assessment for a Parcel that is a homestead under Texas law may not exceed the Assessment prior to the reallocation and to the extent the reallocation would exceed such amount, it shall be prepaid by such amount by the party requesting the subdivision of the Parcels. Any reallocation pursuant to this section shall be reflected in an Annual Service Plan Update approved by the City Council. See “APPENDIX C — Form of Service and Assessment Plan.”

TIRZ Annual Credit Amount. The City, the County and the Drainage District have agreed to use TIRZ Revenues generated from each Assessed Property to offset a portion of such Parcel’s Assessment related to the Authorized Improvements. The Annual Installment of the Assessments for each Parcel within the District will be calculated by taking into consideration any TIRZ Annual Credit Amount applicable to such Parcel, as described under “SECURITY FOR THE BONDS — Amount of Assessments May be Reduced by TIRZ Annual Credit Amount” and in “APPENDIX C — Form of Service and Assessment Plan.” The TIRZ Revenues are generated only from ad valorem taxes levied and collected for M&O purposes by the City, the County and the Drainage District on the captured appraised value on the applicable Parcel in any year. Consequently, the TIRZ Revenues are generated only if the appraised value of real property on such Parcel in any year is greater than the base value. See “APPENDIX C — Form of Service and Assessment Plan.”

* Preliminary; subject to change.

THE ABILITY OF THE TIRZ ANNUAL CREDIT AMOUNT TO REDUCE THE ANNUAL INSTALLMENTS WITHIN THE DISTRICT IS DEPENDENT ON THE ACTUAL BUILDOUT VALUE IN THE DISTRICT MEETING THE PROJECTIONS FOR THE ESTIMATED BUILDOUT VALUES DESCRIBED IN THE SERVICE AND ASSESSMENT PLAN. SEE “OVERLAPPING TAXES AND DEBT” AND “APPENDIX C — FORM OF SERVICE AND ASSESSMENT PLAN.” SUCH TIRZ REVENUES ARE NOT PLEDGED AS SECURITY FOR THE BONDS.

The following table provides the expected allocation of the Assessments within the District based on Lot Type.

Assessment Allocation by Lot Type in the District⁽¹⁾

| Lot Type | No. of Units/Rooms/1,000 GSF | Average Annual Assessment per Unit/Room/1,000 GSF | Average Annual Installment per Unit/Room/1,000 GSF | Equivalent Tax Rate Per \$100 AV ⁽²⁾ | Total Overlapping Equivalent Tax Rate Per \$100 AV ⁽³⁾ | Estimated Average Annual TIRZ Credit Per Unit/Room/1,000 GSF ⁽⁴⁾ | Net Annual Installment Per Unit/Room/1,000 GSF | Net Assessment Equivalent Tax Rate Per \$100 AV | Net Total Overlapping Equivalent Tax Rate Per \$100 AV |
|----------------------------------|----------------------------------|---|--|---|---|---|--|---|--|
| | Lot Type 1 (Single Family – 80’) | 55 | \$37,040.19 | \$2,506.53 | \$0.9115 | \$3.6675 | \$(1,435.14) | \$1,071.40 | \$0.3896 |
| Lot Type 2 (Restaurant) | 47.5 | 35,188.18 | 2,381.21 | 0.9151 | 3.6711 | (1,363.38) | 1,017.83 | 0.3912 | 3.147 |
| Lot Type 3 (Single Family – 50’) | 405 | 33,706.57 | 2,280.94 | 0.9124 | 3.6684 | (1,305.97) | 974.97 | 0.3900 | 3.146 |
| Lot Type 4 (Office) | 31.7 | 27,409.74 | 1,854.83 | 0.9096 | 3.6656 | (1,062.00) | 792.83 | 0.3888 | 3.145 |
| Lot Type 5 (Travel Center) | 6.7 | 27,039.34 | 1,829.77 | 0.9117 | 3.6677 | (1,047.65) | 782.12 | 0.3897 | 3.146 |
| Lot Type 6 (Retail) | 133.2 | 19,260.90 | 1,303.40 | 0.9142 | 3.6702 | (746.27) | 557.13 | 0.3908 | 3.147 |
| Lot Type 7 (Multifamily) | 692 | 9,630.45 | 651.70 | 0.9179 | 3.6739 | (373.14) | 278.56 | 0.3923 | 3.148 |
| Lot Type 9 (Hotel) | 175 | <u>6,667.23</u> | <u>451.18</u> | <u>0.9058</u> | <u>3.6618</u> | <u>(258.32)</u> | <u>192.85</u> | <u>0.3872</u> | <u>3.143</u> |
| Total/Average | | \$18,631.69 | \$1,260.82 | \$0.9142 | \$3.6703 | \$ (721.89) | \$ 538.93 | \$0.3908 | \$3.147 |

⁽¹⁾ Based on the concept plan for the District. Derived from information in the Service and Assessment Plan. The actual unit counts may vary from that shown above. Includes the Assessments securing the Series 2022 Bonds and the Assessments securing the Reimbursement Obligation. Preliminary; subject to change.

⁽²⁾ Only includes the Assessments. Based on estimated buildout values provided by the Developer. See “OVERLAPPING TAXES AND DEBT — Overlapping Taxes” and “APPENDIX C — Form of Service and Assessment Plan.”

⁽³⁾ Includes the Assessments and the respective ad valorem tax rates for each of the City, the County, Sinton ISD and the Drainage District. See “OVERLAPPING TAXES AND DEBT — Overlapping Taxes.”

⁽⁴⁾ For illustration purposes only. The Annual Installment of Assessments for each Parcel within the District will be calculated by taking into consideration any TIRZ Annual Credit Amount applicable to such Parcel, as described under “SECURITY FOR THE BONDS — Amount of Assessments May be Reduced by TIRZ Annual Credit Amount.” The ability of the TIRZ Annual Credit Amount to reduce the Annual Installments for each Parcel is dependent on the actual buildout value in the District meeting the projections for the estimated value per unit/square foot. See “OVERLAPPING TAXES AND DEBT — Overlapping Taxes” and “APPENDIX C — Form of Service and Assessment Plan.”

The Series 2022 Bonds are secured by a first lien on and pledge of Pledged Revenues, including the Assessments. See “SECURITY FOR THE BONDS” and “APPENDIX C — Form of Service and Assessment Plan.”

Prepayment of Assessments

Voluntary Prepayments. Pursuant to the PID Act and the Indenture, the owner of any Assessed Property may voluntarily prepay (a “Prepayment”) all or part of any Assessment levied against any Lot or Parcel, together with accrued interest to the date of payment, at any time. Upon receipt of such Prepayment, such amounts will be applied towards the redemption or payment of the Series 2022 Bonds. Amounts received at the time of a Prepayment which represent a payment of principal, interest, or penalties on a delinquent installment of an Assessment are not to be considered a Prepayment, but rather are to be treated as payment of regularly scheduled Assessments.

Mandatory Prepayments. If a Parcel subject to Assessment is transferred to a party that is exempt from the payment of the Assessment under applicable law, or if an owner causes a Parcel subject to Assessment to become Non-Benefited Property (as defined in the Service and Assessment Plan), the owner of such Parcel must pay to the City the full amount of the Assessment on such Parcel plus all Prepayment Costs and Delinquent Collection Costs, if any, prior to any such transfer or act.

If at any time the Assessment per unit on a Parcel exceeds the applicable Maximum Assessment per Unit calculated in the Service and Assessment Plan as a result of any changes in land use, subdivision, consolidation or reallocation of the Assessment authorized by the Service and Assessment Plan and initiated by the owner of the Parcel, then such owner shall pay to the City prior to the recordation of the document subdividing the Parcel the amount calculated by the Administrator by which the Assessment per Unit for the Parcel exceeds the applicable Maximum Assessment per Unit calculated in the Service and Assessment Plan.

Reduction of Assessments. If after all Authorized Improvements to be funded with the Series 2022 Bonds have been completed and Actual Costs for such Authorized Improvements are less than the Budgeted Costs (as defined in the Service and Assessment Plan) of the Authorized Improvements used to calculate the Assessments securing the Series 2022 Bonds, resulting in excess Series 2022 Bond proceeds being available to redeem Series 2022 Bonds, and such excess Series 2022 Bond proceeds shall be applied to redeem Series 2022 Bonds as provided in the Indenture, then the Assessment securing such Series 2022 Bonds for each Parcel of Assessed Property shall be reduced by the City Council pro rata such that the sum of the resulting reduced Assessments for all Assessed Properties equals the actual reduced Actual Costs. The Assessments shall not be reduced to an amount less than the outstanding Series 2022 Bonds. If all of the Authorized Improvements are not completed, the City may reduce the Assessments in another method if it determines such method would better reflect the benefit received by the Parcels from the Authorized Improvements completed.

If all the Authorized Improvements are not undertaken, resulting in excess Series 2022 Bond proceeds being available to redeem Series 2022 Bonds, and such excess Series 2022 Bond proceeds shall be applied to redeem Series 2022 Bonds as provided in the Indenture, then the Assessments and Annual Installments for each Parcel shall be appropriately reduced by the City Council to reflect only the amounts required to repay the Series 2022 Bonds, including interest on the Series 2022 Bonds and Administrative Expenses. The City Council may reduce the Assessments and the Annual Installments for each Parcel (i) in an amount that represents the Authorized Improvements provided for each Parcel or (ii) by an equal percentage calculated based on number of Equivalent Units, if determined by the City Council to be the most fair and practical means of reducing the Assessments for each Parcel, such that the sum of the resulting reduced Assessments equals the amount required to repay the Series 2022 Bonds, including interest on the Series 2022 Bonds and Administrative Expenses. The principal portion of the Assessment for each Parcel shall be reduced pro rata to the reduction in the Assessments for each Parcel such that the sum of the resulting reduced principal portion of the Series 2022 Bonds is equal to the outstanding principal amount of the Series 2022 Bonds.

Priority of Lien

The Assessments or any reassessment, the expense of collection, and reasonable attorney's fees, if incurred, constitute a first and prior lien against the property assessed, superior to all other liens and claims except liens or claims for the State, county, school district or municipality ad valorem taxes, and are a personal liability of and charge against the owners of the property regardless of whether the owners are named. The lien is effective from the date of the Assessment Ordinance until the Assessment is paid and may be enforced by the City in the same manner as an ad valorem tax levied against real property may be enforced by the City. The owner of any Assessed Property may pay the entire Assessment levied against any Lot or Parcel, together with accrued interest to the date of payment, at any time. See "ASSESSMENT PROCEDURES — Prepayment of Assessments."

Foreclosure Proceedings

In the event of delinquency in the payment of any Annual Installment, except for unpaid Assessments on homestead property (unless the lien associated with the assessment attached prior to the date the property became a homestead), the City is empowered to order institution of an action in state district court to foreclose the lien of such

delinquent Annual Installment. In such action the real property subject to the delinquent Annual Installments may be sold at judicial foreclosure sale for the amount of such delinquent Annual Installments, plus penalties and interest.

Any sale of property for nonpayment of an installment or installments of an Assessment will be subject to the lien established for remaining unpaid installments of the Assessment against such property and such property may again be sold at a judicial foreclosure sale if the purchaser thereof fails to make timely payment of the non-delinquent installments of the Assessments against such property as they become due and payable. Judicial foreclosure proceedings are not mandatory. In the event a foreclosure is necessary, there could be a delay in payments to owners of the Series 2022 Bonds pending prosecution of the foreclosure proceedings and receipt by the City of the proceeds of the foreclosure sale. It is possible that no bid would be received at the foreclosure sale, and in such event, there could be an additional delay in payment of the principal of and interest on Series 2022 Bonds or such payment may not be made in full. The City is not required under any circumstance to purchase or make payment for the purchase of the delinquent Assessment on the corresponding Assessed Property.

The City will covenant in the Indenture to take and pursue all reasonable actions permissible under Applicable Laws to cause the Assessments to be collected and the liens thereof enforced continuously, in the manner and to the maximum extent permitted by Applicable Laws, and to cause no reduction, abatement or exemption in the Assessments, provided that the City is not required to expend any funds for collection and enforcement of Assessments other than funds on deposit in the Administrative Expenses Fund. Pursuant to the Indenture, Foreclosure Proceeds (excluding Delinquent Collection Costs) constitute Pledged Revenues to be deposited into the Pledged Revenue Fund upon receipt by the City and distributed in accordance with the Indenture. See “APPENDIX B — Form of Indenture.” See also “APPENDIX E-1 — Form of Disclosure Agreement of the Issuer” for a description of the expected timing of certain events with respect to collection of the delinquent Assessments.

The City will not be obligated to fund foreclosure proceedings out of any funds other than in the Administrative Expense Fund. If Pledged Revenues are insufficient to pay foreclosure costs, the owners of the Series 2022 Bonds may be required to pay amounts necessary to continue foreclosure proceedings. See “APPENDIX B — Form of Indenture” and “APPENDIX C — Form of Service and Assessment Plan.”

THE CITY

The City, located 31 miles north of the City of Corpus Christi, Texas, is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State and the City’s Home Rule Charter. The City’s Home Rule Charter was last amended at an election held in 2017. The City operates under a Manager-Council form of government with a City Council comprised of the Mayor and four Councilmembers elected for staggered four-year terms. The City provides the following primary services: police protection, emergency medical services, public works, street maintenance, parks, library and utility (water, sewer and garbage) service. The 2010 Census population for the City was 5,665, while the 2020 census population was 5,504. The City covers approximately 2.81 square miles.

The current members of the City Council and their respective expiration of terms of office and the principal administrators of the City are shown on page ii hereof. General information regarding the City and the surrounding area can be found in “APPENDIX A — General Information Regarding the City and Surrounding Area.”

THE DISTRICT

General

The PID Act authorizes municipalities, such as the City, to create public improvement districts within their boundaries or extraterritorial jurisdiction, and to impose assessments within the public improvement district to pay for certain improvements. The District was created by the City in accordance with the PID Act by a resolution adopted by the City Council on May 18, 2021 in accordance with the PID Act (the “Creation Resolution”), for the purpose of undertaking and financing, in phases, the cost of certain public improvements within the District, including the Authorized Improvements, authorized by the PID Act and approved by the City Council that confer a special benefit on the portion of the District property being developed in a phase. The District is not a separate political subdivision

of the State and is governed by the City Council. Maps of the property within the District are included on pages iv and v hereof.

Powers and Authority of the City

Pursuant to the PID Act, the City may establish and create the District and undertake, or reimburse a property owner for the costs of, improvement projects that confer a special benefit on property located within the District, whether located within the City limits or the City's extraterritorial jurisdiction. The PID Act provides that the City may levy and collect special assessments on property in the District, or portions thereof, payable in periodic installments based on the benefit conferred by an improvement project to pay all or part of its cost.

Pursuant to the PID Act and the Creation Resolution, the City has the power to undertake, or reimburse a property owner for the costs of, the financing, acquisition, construction or improvement of the Authorized Improvements. See "THE AUTHORIZED IMPROVEMENTS." Pursuant to the authority granted by the PID Act and the Creation Resolution, the City has determined to undertake the construction, acquisition or purchase of certain water, drainage and roadway improvements comprising the Authorized Improvements and to finance a portion of the costs thereof through the issuance of the Series 2022 Bonds. The City has further determined to provide for the payment of debt service on the Series 2022 Bonds through Pledged Revenues. See "ASSESSMENT PROCEDURES" and "APPENDIX C — Form of Service and Assessment Plan."

Maintenance Assessment

In accordance with the Development Agreement, upon its creation, the OA and the City will enter into the Maintenance Agreement, pursuant to which the OA will agree to be responsible for OA Maintenance Obligations. In the event the OA fails to perform its obligations in accordance with the terms of the Maintenance Agreement, the City may assume such obligations (either directly or by contract with a third party) and recover the resultant costs by levying and collecting the Maintenance Assessments, payable in Annual Installments as part of the Administrative Expenses, from the owners from time to time of benefitted Property within the District. Any such Maintenance Assessments shall be made generally in accordance with the general provisions of the Service and Assessment Plan, as described below. Prior to collection of any Maintenance Assessments, the Annual Service Plan Update to the Service and Assessment Plan shall be updated to reflect the specifics of such Maintenance Assessments (to include description of the costs for which a Maintenance Assessment is being collected as part of the Administrative Expenses, the amount of the Maintenance Assessment, and the projected length of time such Maintenance Assessment shall be collected as part of the Annual Installments).

The annual Maintenance Assessment, if any, may be assessed using any methodology that results in the imposition of equal shares of the Maintenance Assessment on Assessed Property similarly benefited. For purpose of the Service and Assessment Plan, the City Council has determined that the Maintenance Assessment to be collected in any given year, if needed, shall be allocated to each Parcel based on a ratio of the taxable assessed value for each Parcel to the aggregate taxable assessed value of all Parcels subject to the Maintenance Assessment.

THE AUTHORIZED IMPROVEMENTS

General

A portion of the costs of the Authorized Improvements will be funded with proceeds of the Series 2022 Bonds. The balance of the costs of the Authorized Improvements will be paid by the Developer under the terms of the Development Agreement, the Financing Agreement, the Completion Agreement and the Service and Assessment Plan. Costs incurred by the Developer in furtherance of the foregoing are reimbursable thereto under the Reimbursement Agreement. See "APPENDIX C — Form of Service and Assessment Plan" and "APPENDIX G — Form of Reimbursement Agreement."

Authorized Improvements

The Authorized Improvements consist of the following Authorized Improvements:

Roadway Improvements. The roadway improvement portion of the Authorized Improvements consists of the construction of road and thoroughfare improvements, including related paving, drainage, curbs, gutters, sidewalks, signage, traffic control devices and right-of-way acquisition which benefit the Assessed Property. All roadway projects will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City.

Water Improvements. The water improvements portion of the Authorized Improvements consists of construction and installation of a looped water main network, waterlines, mains, pipes, valves and appurtenances, necessary for the portion of the water distribution system that will service the Assessed Property. The water improvements will be designed and constructed according to City standards and will be owned and operated by the City.

Sanitary Sewer Improvements. The sanitary sewer improvement portion of the Authorized Improvements consists of construction and installation of pipes, service lines, manholes, encasements, and appurtenances necessary to provide sanitary sewer service to the Assessed Property. The sanitary sewer improvements will be designed and constructed according to City standards and will be owned and operated by the City.

Storm Drainage Improvements. The storm drainage improvement portion of the Authorized Improvements consist of reinforced concrete pipes, reinforced concrete boxes, and multi-reinforced box culverts, surface drainage and detention improvements, which benefit the Assessed Property. The storm drainage collection system improvements will be designed and constructed in accordance with City and Drainage District standards and specifications and will be owned and operated by the Drainage District. The Drainage District owns and operates the storm collection system within, and that services, the City, and will use such improvements to that system funded with Assessments for the life thereof.

Soft and Miscellaneous Costs. Certain soft and miscellaneous costs included in the Authorized Improvements include land planning, landscaping, inlet protection and design, and Developer District formation and related costs.

Costs of Authorized Improvements

The following table reflects the expected total costs of the Authorized Improvements. A portion of the costs of the Authorized Improvements are expected to be financed with proceeds of the Series 2022 Bonds.

| <u>Authorized Improvements Costs⁽¹⁾</u> | |
|---|----------------------------|
| <u>Type of Authorized Improvement</u> | <u>Total Cost</u> |
| Roadway Improvements, including Right-Of-Way Acquisition ⁽²⁾ | \$ 9,296,933 |
| Water Improvements | 1,443,453 |
| Sanitary Sewer Improvements | 2,465,869 |
| Storm Drainage Improvements | 3,345,641 |
| Soft and Miscellaneous Costs ⁽³⁾ | 9,573,923 |
| Bond Issuance Costs ⁽⁴⁾ | <u>2,680,633</u> |
| Total | <u>\$28,806,452</u> |

⁽¹⁾ Derived from information in the Service and Assessment Plan. Preliminary; subject to change.

⁽²⁾ The costs of the roadway improvements attributable to the right-of-way acquisition will not be funded with proceeds of the Series 2022 Bonds.

⁽³⁾ Includes engineering, architecture, land planning, contingency (10%), general contractor fee (10%), project management (5%) and other miscellaneous costs related to the Authorized Improvements, including Developer District formation and related costs.

⁽⁴⁾ Includes debt service reserve fund deposit, capitalized interest, initial administrative expense, costs of issuance and underwriter's discount related to the Series 2022 Bonds.

The costs of the Authorized Improvements are based on information provided by the Developer and its engineer and reviewed by the City staff and by third-party consultants retained by the City and were approved by the City Council. See “APPENDIX C — Form of Service and Assessment Plan.” The total costs of all of the Authorized Improvements, including bond issuance costs are expected to be approximately \$28,806,452*. Only a portion of the costs of the Authorized Improvements, in the approximate amount of \$11,735,000*, are expected to be paid with proceeds of the Series 2022 Bonds. The balance of the costs of the Authorized Improvements, in the total approximate amount of \$17,071,452*, will be financed by the Developer pursuant to the Completion Agreement and is expected to be reimbursed to the Developer from proceeds of Assessments and Additional Bonds, if any, under the terms of the Reimbursement Agreement and TIRZ Revenues under the terms of a separate reimbursement agreement specifically relating thereto.

The Appraisal estimates that the value of the property within the District under certain conditions, including the completion of all of the Authorized Improvements, is \$35,190,000. The Appraisal is attached hereto as APPENDIX F and should be read in its entirety in order to understand the meaning and basis of the information set forth therein. The Appraisal is addressed to the City and the Underwriter. The estimates of value presented in the Appraisal are no indication of the appraised property’s actual market value. Investors should not assume that the disposition of the lots in the District in the event of default would provide sufficient funds to pay the principal of the Series 2022 Bonds past due at that time. The conclusions reached in the Appraisal are subject to certain assumptions, hypothetical conditions and qualifications, which are set forth in the Appraisal. See “APPRAISAL OF PROPERTY WITHIN THE DISTRICT” for further information regarding the Appraisal, including with respect to such assumptions, hypothetical conditions and qualifications.

Ownership and Maintenance of Authorized Improvements

The Authorized Improvements will be dedicated to and accepted by the City and the Drainage District, respectively and as applicable, and will constitute a portion of the applicable entity’s infrastructure improvements. Upon and after dedication, the City or the Drainage District, as applicable, will provide for the ongoing maintenance and repair of such Authorized Improvements.

THE DEVELOPMENT

The following information has been provided by the Developer. Certain of the following information is beyond the direct knowledge of the City and the Underwriter, and neither the City nor the Underwriter have any way of guaranteeing the accuracy of such information.

Overview

The District is part of a larger master-planned, mixed-use development known as Somerset, which is expected to consist of single-family residential, multifamily residential and commercial uses, as further described below. The Development is located within the City, situated around the intersection of TX Hwy 89 (U.S. Hwy 181 Relief) and TX Hwy 188 (U.S. Hwy 181), with the District being located northwest of such intersection. The Development is approximately 30 miles north of the City of Corpus Christi, Texas. The Developer acquired the approximately 177.36 acres comprising the District for a long-term development project in five separate transactions from various individuals and related trusts. The Developer currently has the remaining approximately 1,100 acres of the Development under contract with the current landowners of such property and, prior to closing on such contracts, expects to create one or more additional public improvement districts over such property to finance the development of public infrastructure benefiting the remaining portion of the proposed Development. The Developer expects to close on the remaining property in a series of transactions over the next 18 to 24 months, beginning with approximately 130 acres in January of 2022. The Development is adjacent to the new Steel Dynamics plant. The first phase of such plant is complete and operational. The remaining portions of the plant are being developed in phases. The projected employment of the plant, as well as the associated support plants, is projected to exceed 3,000 employees.

* Preliminary; subject to change.

Development Plan and Status of Construction

The Developer’s development plans for the District consist of the construction of the roadway, drainage, water and wastewater improvements comprising the Authorized Improvements. The Developer began construction of the Authorized Improvements in October 2021 and expects to complete such construction by August 2022 subject to any weather delays. The Texas Department of Transportation (“TxDOT”) completed a traffic impact study with respect to the District and, as a result, TxDOT authorized enlarging Hwy 188 along the District’s south border into a 5-lane highway. The project will extend from the intersection of US 181/89 for approximately one mile to the intersection of Hwy 199 and Pirate Drive. Improvements will include a turn lane along the entire length, storm drains, curbs, cutters and sidewalks (collectively, the TxDOT Improvements”), all of which will be constructed and financed by TxDOT. The design phase was completed in October 2021 and construction is expected to start in 2023.

The District is expected to include approximately 460 single-family residential lots, consisting of two lot types: 50’ lots and 80’ lots, approximately 692 multifamily units and approximately 45 acres of commercial areas. The Developer’s current expectations regarding the proposed use and estimated buildout schedule of each Tract within the District (as shown in the “MAP SHOWING CONCEPT PLAN FOR THE DISTRICT” on page vi), which are subject to change, are as follows:

Expected Build-Out of the District

| <u>Property Type by Tract</u> | <u>Acreage⁽¹⁾</u> | <u>Expected Lots/Units/ Sq. Ft.⁽²⁾</u> | <u>Contract Status</u> | <u>Expected Date of Vertical Construction/ Homebuilder Take Down⁽²⁾</u> | <u>Expected Date of Vertical Completion⁽²⁾</u> |
|-------------------------------|------------------------------|---|-------------------------|--|---|
| Tract 1 | 67.55 | | | | |
| Single Family – 50’ | | 405 | All lots under contract | July 2022 | July 2026 |
| Single Family – 80’ | | 55 | All lots under LOI | July 2022 | July 2026 |
| Tract 2 | 7.26 | | | | |
| Restaurant | | 12,300 | No contract or LOI | TBD | TBD |
| Hotel | | 175 | LOI | July 2022 | January 2024 |
| Tract 3 | 9.39 | | | | |
| Office | | 31,700 | No contract or LOI | TBD | TBD |
| Restaurant | | 2,900 | No contract or LOI | TBD | TBD |
| Retail | | 11,300 | No contract or LOI | TBD | TBD |
| Tract 4 | 3.32 | | | | |
| Retail | | 41,500 | No contract or LOI | TBD | TBD |
| Tract 5 | 5.00 | | | | |
| Travel Center | | 6,700 | Under contract | March 2022 | January 2023 |
| Tract 6 | 10.00 | | | | |
| Restaurant | | 16,700 | Under contract | January 2022 | January 2023 |
| Retail | | 28,900 | Under contract | January 2022 | January 2023 |
| Tract 7 | 5.30 | | | | |
| Restaurant | | 10,200 | No contract or LOI | TBD | TBD |
| Retail | | 32,700 | No contract or LOI | TBD | TBD |
| Tract 8 | 4.63 | | | | |
| Restaurant | | 5,400 | No contract or LOI | TBD | TBD |
| Retail | | 18,800 | No contract or LOI | TBD | TBD |
| Tract 9 | 9.98 | | | | |
| Multifamily | | 192 | Under contract | February 2022 | May 2023 |
| Tract 10 | 20.52 ⁽³⁾ | | | | |
| Multifamily | | 500 | Under contract | September 2022 | March 2024 |

⁽¹⁾ Derived from information in the Service and Assessment Plan and the Developer.

⁽²⁾ Provided by the Developer. Estimated and subject to change.

⁽³⁾ Approximately 2.5 acres of Tract 10 consist of a Drainage District easement. The remaining 18.05 acres are under contract with Blue Water, as described herein.

Single-Family Residential Development

Overview. The District is expected to include approximately 460 single-family lots, consisting of approximately 405 50’ lots and 55 80’ lots. The Developer has executed lot purchase agreements with DR Horton and a LOI with MKP Management for all 405 50’ lots and 55 of the 80’ lots, respectively.

The following table shows the lots expected to be purchased by DR Horton and MKP Management under the terms of the lot purchase agreements and LOI, respectively.

Homebuilder Contracted Lots within the District⁽¹⁾

| | <u>Lot Size</u> | <u>Number of Lots</u> |
|-------------------------------|-----------------|-----------------------|
| DR Horton | 50’ | 405 |
| MKP Management (LOI) | 80’ | <u>55</u> |
| Total “Under Contract” | | 460 |

⁽¹⁾ The number and size of lots are estimates and may change prior to final platting.

The estimated lot and home prices in the District are as follows:

Lot and Home Prices in the District

| <u>Lot Type</u> | <u>Quantity</u> | <u>Estimated Base Lot Price⁽¹⁾</u> | <u>Estimated Base Home Price⁽²⁾</u> |
|----------------------------|-----------------|---|--|
| 50’ | 405 | \$34,004 | \$250,000 |
| 80’ | <u>55</u> | <u>46,000</u> | <u>275,000</u> |
| Total/Weighted Avg. | 460 | \$35,461 | \$252,989 |

⁽¹⁾ Estimated base lot prices are the actual prices under the lot purchase agreements and LOI with DR Horton and MKP Management, respectively, as described herein.

⁽²⁾ Estimated base home prices were provided by the Developer.

Homebuilder Purchase Agreements and LOI.

DR Horton. In the DR Horton Agreements, DR Horton has agreed to purchase all 405 50’ lots within the District for a base purchase price of \$34,004 per lot. The DR Horton Agreement grants DR Horton the right to purchase any single-family residential lots of comparable size and configuration in the Development (the “First Right Lots”), which right to purchase shall be both a right of first offer and right of first refusal (the “DR Horton First Right”). The DR Horton First Right is effective until the date that is seven years after the last closing under the DR Horton Agreement, as described below.

In the Phase 1 DR Horton Agreement, DR Horton has agreed to purchase 236 lots, with an initial take down of 50 lots 30 days after substantial completion of such lots. Thereafter, DR Horton will take down an additional 13 lots per quarter, until all 236 lots have been taken down.

In the Phase 2 DR Horton Agreement, DR Horton has agreed to purchase 169 lots, with an initial take down of 13 lots on or before the later of (i) 30 days after substantial completion of such lots, (ii) 21 days after the expiration of the feasibility period (21 days after March 2, 2022) or (iii) the date of the final closing of the sale and purchase of lots under the Phase 1 DR Horton Agreement. Thereafter, DR Horton will take down an additional 13 lots per quarter, until all 169 lots have been taken down.

Under the Phase 1 DR Horton Agreement, DR Horton has put down \$405,000 in earnest money, which will be credited against DR Horton’s purchase of the last 60 lots under such DR Horton Agreement. Under the Phase 1 DR Horton Agreement, if substantial completion of the applicable lots has not been satisfied by July 1, 2022, DR Horton has the right to terminate the Phase 1 DR Horton Agreement or extend the date for substantial completion for one or more periods of time not exceeding, in the aggregate, two years. If DR Horton chooses to terminate the Phase 1 DR Horton Agreement, the Developer must return the applicable earnest money to DR Horton. While the Developer expects to complete all of the Authorized Improvements by August of 2022, the Developer expects to achieve substantial completion of the lots under the Phase 1 DR Horton Agreement by July 1, 2022.

Under the Phase 2 DR Horton Agreement, DR Horton has put down \$285,000 in earnest money, which will be credited against DR Horton’s purchase of the last 50 lots under such DR Horton Agreement. The Phase 2 DR Horton Agreement has a feasibility period that expires on March 2, 2022. DR Horton may terminate the Phase 2 DR Horton Agreement prior to the expiration of such agreement, upon which the earnest money provided under such agreement will be returned to DR Horton. Under the Phase 2 DR Horton Agreement, if substantial completion of the applicable lots has not been satisfied by September 1, 2022, DR Horton has the right to terminate the Phase 2 DR Horton Agreement or extend the date for substantial completion for one or more periods of time not exceeding, in the aggregate, two years. If DR Horton chooses to terminate the Phase 2 DR Horton Agreement, the Developer must return the applicable earnest money to DR Horton.

MKP Management. Under the terms of the LOI, MKP Management will purchase 55 80’ lots for a base purchase price of \$46,000 per finished lot. The LOI with MKP Management contemplates that the lot purchase agreement with the Developer will include the following additional terms: (i) MKP Management will deposit \$10,000 in earnest money upon execution of the agreement, which will be applied to the purchase of the 55th lot, (ii) MKP Management will take down an initial 10 lots within 30 days of notification of acceptance of the Authorized Improvements by the City, anticipated to occur on July 31, 2022, and will take down no less than 3 additional lots per quarter, commencing 150 days after the initial closing, until all 55 lots have been taken down. No assurance can be given that the Developer and MKP Management will proceed to contract, or that such closing will occur.

Build out and Sale of Single-Family Lots. The anticipated schedule for sale of single-family lots to homebuilders within the District is shown in the following table.

Expected Sale of Single-Family Lots to Homebuilders in the District⁽¹⁾

| <u>Expected Sale Date</u> | <u>50’ Lot</u> | <u>80’ Lot</u> | <u>Total</u> |
|---------------------------|----------------|----------------|--------------|
| 2022 | 89 | 14 | 103 |
| 2023 | 104 | 12 | 116 |
| 2024 | 104 | 12 | 116 |
| 2025 | 104 | 12 | 116 |
| 2026 | <u>4</u> | <u>5</u> | <u>9</u> |
| Total | 405 | 55 | 460 |

⁽¹⁾ These projections regarding expected absorption were provided by the Developer. Absorption projections in the Appraisal may vary.

The anticipated schedule for sale of single-family homes to homeowners by homebuilders within the District is shown in the following table.

Expected Sale of Single-Family Homes to Homeowners in the District⁽¹⁾

| <u>Expected Sale Date</u> | <u>50’ Lot</u> | <u>80’ Lot</u> | <u>Total</u> |
|---------------------------|----------------|----------------|--------------|
| 2022 | 89 | 14 | 103 |
| 2023 | 104 | 12 | 116 |
| 2024 | 104 | 12 | 116 |
| 2025 | 104 | 12 | 116 |
| 2026 | <u>4</u> | <u>5</u> | <u>9</u> |
| Total | 405 | 55 | 460 |

⁽¹⁾ These projections regarding expected absorption were provided by the Developer. Absorption projections in the Appraisal may vary.

Multifamily Sites. The District is expected to include two multifamily sites, consisting of approximately 28 acres. Both multifamily parcels are under contract with the Multifamily Builders, as described below.

Blue Water is under contract to purchase the approximately 18.05-acre site, as known as Tract 10, located in the northwest corner of the District for a purchase price of \$2,286,900. Blue Water expects to build two multifamily residential buildings, each consisting of approximately 250 units. Prior to closing, the Developer is required to complete the water and wastewater improvements necessary to serve such tract. The Developer expects to complete such improvements by August of 2022. Blue Water has deposited \$5,000 in earnest money, which is nonrefundable to the Developer, and is required to provide an additional \$20,000 in earnest money by April 2022. Upon receipt, the

additional earnest money is nonrefundable to Blue Water. The earnest money will be credited against the total purchase price at the contract closing, which is to occur on or before September 31, 2022.

Torno is under contract to purchase the approximately 9.98-acre site, as known as Tract 9, located in the southwest corner of the District for a purchase price of \$1,630,233. Torno expects to build one or more 3-story multifamily residential buildings, consisting of approximately 192 multifamily units in total. Torno expects the complex to include a clubhouse with a pool and fitness center, a walking path and a dog park. Torno has deposited \$5,000 in earnest money and is required to provide an additional \$20,000 in earnest money on or before the expiration of the feasibility period, which is January 9, 2022. Torno may terminate the contract before the expiration of the feasibility period at which time the initial earnest money will be returned to Torno. If the contract is not terminated, all of the earnest money will be credited against the total purchase price at the contract closing, which is to occur on or before February 9, 2022.

See “MAP SHOWING BOUNDARIES OF THE DISTRICT” and “MAP SHOWING CONCEPT PLAN FOR THE DISTRICT” on pages v and vi.

Commercial Sites. The District is expected to include approximately 45 acres and approximately 219,100 square feet of commercial property. The Developer entered into a contract for sale with SC Interests for approximately 10 acres, comprising Tract 6 within the District, for a total purchase price of \$3,484,800. SC Interest expects such Tract to include (i) a 15,000 square foot shopping center with a national grocery chain and (ii) five pad sites to include quick serve restaurants. SC Interests has provided \$5,000 in earnest money, which shall be credited to the purchase price at closing, except as otherwise noted below. The contract requires that closing take place no later than January 31, 2022.

The Developer entered into a contract for sale with 7-Eleven for approximately 4.5 acres, comprising Tract 5 within the District (the “7-Eleven Property”), for a total purchase price of \$1,658,494.50. 7-Eleven plans to build a “travel center” on such Tract, consisting of a gas station, truck stop and restaurant. 7-Eleven has provided \$25,000 in earnest money, which shall be credited to the purchase price at closing. The contract anticipates a closing on or before January 18, 2022. If the contract does not close by such date, 7-Eleven may elect to terminate the contract, at which time the earnest money will be returned to 7-Eleven.

In the contract, the Developer and 7-Eleven agreed to execute a Reciprocal Covenant Agreement (the “RCA”) at closing of the contract. In the RCA, the Developer will agree that so long as the 7-Eleven Property is leased or otherwise occupied by a 7-Eleven Entity (as defined below) or its successors and/or assigns, the remaining property within the District may not be used for a Convenience Store (as defined below) and/or for a Motor Fuels Facility (as defined below). “7-Eleven Entity” means (i) 7-Eleven, Inc. or its parent, subsidiary, affiliate, division or other entity to the extent any of the foregoing is controlling, controlled by or under common control with 7-Eleven, Inc., (ii) any successor entity related by merger, consolidation, reorganization or government action, or (iii) any entity operating under the trade name “7 Eleven” or any other trade name then used by 7-Eleven, Inc. in at least ten (10) of its locations. “Convenience Store” means a retail store selling, renting or providing merchandise and/or services customarily sold, rented or provided from time to time at stores operated or franchised by 7-Eleven within the State of Texas, and including by way of example, but not limited to, merchandise and/or services customarily sold, rented or provided from time to time at stores such as a Cumberland Farms, Circle K, Stop N Shop, On the Run, High’s, Store 24, WaWa, and Kwik Stop, and other similar regional convenience stores. “Motor Fuels Facility” means a full-service and/or self-service facility which provides for the retail sale and dispensing of gasoline and other petroleum products, which Motor Fuels Facility may include, without limitation, the related underground storage tanks, lines, dispensing pumps, meters and measuring devices, in-tank monitoring devices, Stage II vapor recovery systems, if required by applicable legal requirements, canopies, lights, intercommunication systems, elevated concrete islands and parking strips or pads and related electrical and piping systems, any air/water/vacuum stations, and gas controllers, diagnostic or monitoring equipment, motor fuels POS equipment, and credit card readers necessary for the operation of such Motor Fuels Facility.

Additionally, the Developer has entered into an LOI with ZJZ Hospitality Inc for between 1.5 to 4 acres of land for future development of one or more economy extended stay and/or midscale business transient hotels, which are expected to include approximately 300 rooms.

The Developer does not have any additional contracts or LOIs for the remaining commercial sites within the District. The Developer does have three LOIs with SC Interests for a 30-acre site, a 32-acre site and a 35-acre site within the Development (but outside the District). Such sites are located at the southwest, southeast and northeast intersections of TX Hwy 89 (U.S. Hwy 181 Relief) and TX Hwy 188 (U.S. Hwy 181). The Developer also has an LOI with the County for the purchase of approximately 25 acres within the Development (but outside the District) for the anticipated construction of a new courthouse.

Development Agreement

The City and the Developer, as the successor in interest to the original parties thereto, entered into the Development Agreement effective as of July 13, 2021 (the “Development Agreement”), which sets forth, among other things, (i) the Developer’s agreement to construct the Authorized Improvements within the District in accordance with the construction standards set forth therein, (ii) the ownership, operation and maintenance of the Authorized Improvements and (iii) the reimbursement to the Developer for the costs to construct the Authorized Improvements in an amount not to exceed \$50,000,000 from proceeds of the Bonds, Assessment Revenues and TIRZ Revenues. The Development Agreement requires that, prior to the issuance of any Bonds, the Developer shall deliver to the City (i) a certification or other evidence from an independent appraiser acceptable to the City confirming that the special benefits conferred on the parcels of the District subject to Assessments for payment of costs of Authorized Improvements increase the value of such parcels of the District by an amount at least equal to the amount assessed against such parcels and (ii) a certificate or report from an independent certified appraiser, appraisal firm or financial consultant, assuming completion of the Authorized Improvements, demonstrating that the ratio of the aggregate appraised value of all assessed parcels of the District to the aggregate principal amount of all Bonds then secured or proposed to be secured by the resultant Assessment Revenues is at least 3:1.

The Development Agreement requires that, prior to the issuance of the Series 2022 Bonds, the Developer, City and Trustee must enter into the Completion Agreement obligating the Developer to pay for the costs of the Authorized Improvements not anticipated to be directly funded with the Series 2022 Bonds. The Developer, the City and the Trustee expect to enter into the Completion Agreement, pursuant to which the Developer will agree to timely pay the Developer Financial Commitment by obtaining a revolving line of credit from Susser Bank in the amount of \$15,000,000. See “THE DEVELOPER — History and Financing of the District – Development of Land Within the District – Completion Agreement.”

The Development Agreement provides that, no later than May 18, 2022, the Developer will create the OA for only the residential property within the District. The City and the Developer expect to enter into the Amended and Restated Development to be effective as of January 18, 2022, which will, among other things, provide that the OA shall be created for all property within the District because all property owners will benefit from the OA Maintenance Obligations. In accordance with the Development Agreement, upon its creation, the OA shall enter into the Maintenance Agreement with the City, pursuant to which the OA will agree to be responsible for the annual costs of maintaining the District’s amenity features, monuments, esplanades, open spaces, common areas (including, but not limited to, all landscaped Development entrances), right-of-way landscaping (including irrigation systems), raised medians and other right-of-way landscaping, detention areas, drainage areas and screening walls within the District and relating to the residential development. In the event the OA fails to perform its obligations in accordance with the terms of the Maintenance Agreement, the City may assume such obligations (either directly or by contract with a third party) and recover the resultant costs through a Maintenance Assessment, as described in the Service and Assessment Plan. See “ASSESSMENT PROCEDURES — Maintenance Assessment” and “APPENDIX C — Form of Service and Assessment Plan.”

The City and the Developer expect that the portions of the Development outside of the District (the “Additional Property”) will be developed in a similar manner as the District and expect, with respect to such properties, to enter into future development agreements having similar terms as the Development Agreement. In the Development Agreement, the parties agree that development of the Additional Property will require expansion of the City’s existing water and wastewater infrastructure to provide sufficient capacity to accommodate such development. To provide assurance to the City and its current and future inhabitants of continued adequacy of water and wastewater utility system capacity, the Developer has agreed to coordinate with the City to design and develop adequate utility system expansion, when and as needed, to timely accommodate the anticipated demands resultant from Additional Property development.

The Developer agreed to pay, from its own resources, the costs of utility system expansion described above in an amount equal to the product of the percentage of the capacity of the subject utility system capital expansion needed to provide the associated utility service(s) to the Additional Property, as developed, times the total cost of such utility system capital expansion. Such costs may be reimbursed over time through tax increment reinvestment zone revenues, if a TIRZ is created over such property. To ensure performance of this obligation, the Developer agreed to deliver or caused to be delivered to the City a letter of credit in the amount of \$4,500,000 (the "Utility System LOC"), which shall be drawable by the City, as beneficiary, not later than the 60th day after the date of delivery of the Series 2022 Bonds. Once delivered, the Utility System LOC shall be maintained at all times thereafter until the earlier to occur of (i) the Developer's receipt of notice from the City that maintenance of the Utility System LOC is no longer required and (ii) evidence satisfactory to the City (in its sole discretion) that the utility system capital expansion described above has been fully funded from sources acceptable to the City. The City shall be entitled to draw upon the Utility System LOC (i) in the event that the Developer does not perform its obligations described above to the reasonable satisfaction of the City, (ii) upon the occurrence of a Developer default under the Development Agreement that remains uncured after expiration of any available cure period therefor, or (iii) there occurs a bankruptcy event relative to the Developer. If the Utility System LOC proves inadequate to cover the Developer's anticipated share of the costs of utility system expansion necessary to service the Additional Property, as developed, and the Developer does not provide to the City an alternative financial arrangement acceptable to the City in its sole discretion, the City reserves the right to provide for the collection of a capital cost recovery fee in amounts sufficient to address any such shortfall, the terms of which capital cost recovery fee will be incorporated into future development agreements referenced above.

Zoning/Permitting

The development of the property within the District will be governed by the concept plan for the District, the Development Agreement and the Zoning Code (as such term is defined in the Development Agreement).

Education

The District is located within Sinton ISD. Sinton ISD operates two elementary schools, Welder Elementary (grades PK-2) and Sinton Elementary (grades 3-5), one middle school, Merle Smith Middle School, and one high school, Sinton High School, which are all expected to serve residents within the District. Welder Elementary, Sinton Elementary and Sinton High School are all adjacent to the District. Merle Smith Middle School is approximately 2.5 miles from the District. In addition, the Sinton ISD recently approved a \$110 million bond issue for construction of a new 800 student high school adjacent to the District to handle the anticipated influx of new residents.

Sinton Elementary School, Merle Smith Middle School and Sinton High School are all rated "below average" by GreatSchools.org. Welder Elementary is not currently rated by GreatSchools.org. According to the Texas Education Agency annual school report cards both Sinton ISD and Sinton High School were rated as "B" and Welder Elementary, Sinton Elementary School and Merle Smith Middle School were rated as "C" for 2018-2019. (The categories for public school districts and public schools are A, B, C, D or F). The Texas Education Agency labeled all district and campuses "Not Rated: Declared State of Disaster" for 2019-2020.

Environmental

According to the website for the United States Fish and Wildlife Service, the following endangered species are known or believed to occur in San Patricio County: black lace cactus, attwater's greater prairie-chicken, ocelot, whooping crane, kemp's ridley sea turtle, leatherback sea turtle and hawksbill sea turtle. The Developer is not aware of any endangered species located on District property.

Mineral Rights

There are certain mineral rights reservations of prior owners of real property within the District (the "Mineral Owners") pursuant to one or more deeds in the chain of title for the property in the District. The Mineral Owners have waived their right to enter onto the surface of the property to explore, develop, drill, produce or extract minerals within the District.

While there is currently no drilling or exploration of minerals, the Developer cannot predict whether the Mineral Owners will take new action in the future to explore or develop the above-described mineral rights. Certain rules and regulations of the Texas Railroad Commission may restrict the ability of the Mineral Owners to explore or develop the property due to well density, acreage, or location issues. Additionally, any drilling within the City limits must comply with Chapter 116 of the City's Code of Ordinances, including the requirement to obtain a permit and certain required setbacks from residences, schools, and other facilities.

Although the Developer does not expect the exercise of such rights or any other mineral rights or related real property rights in or around the District to have a material adverse effect on the Development, the property within the District, or the ability of landowners within the District to pay Assessments, the Developer makes no guarantee as to such expectation. See "BONDHOLDERS' RISKS — Exercise of Mineral Rights."

Utilities

Water and Wastewater. The City will provide both water and wastewater service to the District. The City relies on groundwater from its three wells and owns and operates its wastewater treatment plant. The City currently has sufficient capacity to provide water and wastewater service to the District and, pursuant to the Development Agreement, has agreed to maintain adequate water and wastewater capacity to serve the District.

Other Utilities. The Developer anticipates additional utilities to be provided by the following entities:

| | |
|------------|--------------------|
| Phone/Data | Spectrum |
| Electric | AEP |
| Gas | Centerpoint Energy |

THE DEVELOPER

The following information has been provided by the Developer. Certain of the following information is beyond the direct knowledge of the City, the City's Financial Advisor and the Underwriter, and none of the City, the City's Financial Advisor or the Underwriter have any way of guaranteeing the accuracy of such information.

General

In general, the activities of a developer in a development such as the District include purchasing the land, designing the subdivision, including the utilities and streets to be installed and any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, sewer, and drainage facilities, as well as telephone and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. The relative success or failure of a developer to perform such activities within a development may have a material effect on the security of the revenue bonds, such as the Series 2022 Bonds, issued by a public improvement district. A developer is generally under no obligation to a public improvement district, such as the District, to develop the property which it owns in a development. Furthermore, there is no restriction on the developer's right to sell any or all of the land which the developer owns within a development. In addition, a developer is ordinarily the major tax and assessment payer within a district during its development.

Description of Developer and Developer Principals

General. The Developer was created by Wiley McIlwain and Charles Cammack for the purpose of managing and conveying property in the District to third parties, as described under the caption "THE DEVELOPMENT." The Developer is owned 50% by Wiley McIlwain and 50% by Charles Cammack. The Developer is a nominally capitalized limited liability company, the primary asset of which is unsold property within the District. The Developer will have no source of funds with which to pay Assessments or taxes levied by the City or any other taxing entity other than funds resulting from the sale of property within the District or funds advanced to the Developer by an affiliated party.

Wiley McIlwain. After graduating from the University of Mississippi with a Bachelor of Business Administration degree in 1971, Mr. McIlwain relocated to Texas where he has been involved various aspects of real estate ever since. His lengthy career has included real estate sales, development, title research, and management of over 200,000 acres of Texas real estate, including single family, multi-family, commercial, retail, utility, mineral and ranch projects in over a dozen Texas counties as real estate broker and/or owner and developer.

Charles Cammack. Mr. Cammack is presently owner and operator of Trust Financial Capital Partners (Trust Financial) and its lending division AgLand Loans as well as LandCap Advisors. Trust Financial began as a mortgage banking firm specializing in the origination and servicing of real estate loans. LandCap Advisors is a real estate brokerage company which represents buyers and sellers of real estate properties in Texas. He is also a manager/owner/investor in a number of real estate investments and development projects.

Mr. Cammack has over thirty-five years of progressive experience in the finance and real estate industry. He obtained a Bachelor of Science Degree in Finance from Texas Tech University in 1985. He spent a significant portion of his career in the real estate investments department for major insurance companies. He also assisted a Fortune 500 financial services company in organizing a national department to originate and service real estate loans for the secondary market. In June of 1999, Mr. Cammack founded Trust Financial. In 2005 he founded the predecessor to LandCap Advisors. Since inception, Trust Financial and LandCap Advisors have originated/sold over \$1.5 billion in real estate loans and properties. A snapshot of some of the communities Mr. McIlwain and Mr. Cammack have developed or were involved in the development of is presented below.

| <u>Project Name</u> | <u>Project Type</u> | <u>Acres/Sq. Ft.</u> | <u>County</u> | <u>Status</u> |
|---|---------------------|----------------------|---------------|---------------|
| | Ranchettes | 5,000 acres | Atascosa | Complete |
| Medina River Estates | | 200 acres | Bexar | Complete |
| San Antonio River Estates | | 180 acres | Bexar | Complete |
| King Jr. Estates | | 200 acres | Kleberg | Complete |
| Hollow Creek Estates | | 108 acres | Bexar | Complete |
| Vintage Heights | | 225 acres | Kerr | Complete |
| Hills of Lakeway | Mixed-use | 5,000 acres | Various | Complete |
| Shooner Cove | Multifamily | 62 units | Travis | Complete |
| Vista Condominiums | Multifamily | 39 units | Travis | Complete |
| Silver Creek Apartments | Multifamily | 282 units | Travis | Complete |
| Buttercup Creek Apartments | Multifamily | 306 units | Williamson | Complete |
| Hills of Lakeway, Eagle Ridge, River Point on Lake Austin | Single-family | 500 lots | Travis | Complete |
| Lakeway Plaza Shopping Center | Retail | 89,000 Sq. Ft. | Travis | Complete |
| 620 Plaza | Retail | 6,600 Sq. Ft. | Travis | Complete |
| Buttercup Creek Shopping Center | Retail | 72,000 Sq. Ft. | Williamson | Complete |
| Rigsby Plaza | Retail | 36 acres | Bexar | Complete |

History and Financing of the District

Acquisition of Land Within the District. The Developer purchased the property within the District in five separate transactions from various individuals and related trusts for a total purchase price of approximately \$3,550,000. The Developer's acquisition was made partially on a cash basis and partially with proceeds of a loan from Susser Bank in the amount of \$2,600,000 (the "Land Loan"). In connection with the Land Loan, Wiley McIlwain and Charles Cammack have each entered into a guaranty agreement with Susser Bank, whereby they have each guaranteed the prompt and full payment of the Land Loan. The Land Loan is secured by a first lien on the land within the District, the Developer's right, title and interest in any and all leases for property, and contracts relating to the purchase of property, within the District. Interest on the Land Loan shall accrue at a rate which is the greater of (i) the Wall Street Journal Prime Rate plus 100 basis points per year or (ii) 5.00% per year. The District LOC has a maturity date of September 15, 2023. As of December 15, 2021, the Land Loan had an outstanding balance of \$2,600,000.

Development of Land Within the District. The Developer is responsible for the construction of all the Authorized Improvements. The total expected costs of the Authorized Improvements (not including bond issuance costs) are approximately \$26,125,819*. The Developer expects to finance the costs of the Authorized Improvements from proceeds of the Series 2022 Bonds and from Assessments securing the Reimbursement Obligation, or from proceeds of Additional Bonds, if issued, and TIRZ Revenues. The Developer expects to be reimbursed for approximately \$9,054,367* of the total costs with proceeds of the Series 2022 Bonds and approximately \$17,071,452* from Assessments securing the Reimbursement Obligation, or from proceeds of Additional Bonds, if issued.

In accordance with the Reimbursement Agreement, the Financing Agreement and the Development Agreement, and in order to provide additional assurance that the Developer will complete the Authorized Improvements, the Developer, the City and the Trustee expect to enter into the Completion Agreement. In the Completion Agreement, the Developer agrees to timely pay Actual Costs of Authorized Improvements that are not directly funded from proceeds of the Series 2022 Bonds. To provide a source to fund the Developer Financial Commitment, the Developer has obtained a revolving line of credit from Susser Bank in the amount of \$15,000,000 (the "District LOC"). In connection with the District LOC, Wiley McIlwain and Charles Cammack have each entered into a guaranty agreement with Susser Bank, whereby they have each guaranteed the prompt and full payment of the District LOC.

The District LOC is secured by a second lien on the land within the District, subordinate to the Land Loan, and the Developer's right to reimbursement under the Development Agreement, Financing Agreement, Reimbursement Agreement, the TIRZ Reimbursement Agreement (as defined herein) and the Completion Agreement and certain amounts held in a deposit account with Susser Bank. In the loan agreement for the District LOC (the "LOC Loan Agreement"), the Developer agreed that, to the extent not used to directly pay costs of the Authorized Improvements, it shall use the proceeds of any reimbursements under the Financing Agreement, Reimbursement Agreement, TIRZ Reimbursement Agreement, the Series 2022 Bonds and any Additional Bonds to prepay the District LOC. Pursuant to the LOC Loan Agreement, the Developer must deposit 80% of the net sales proceeds of lot sales within the District into an account held by Susser Bank and pledged under the pledge agreement related to the District LOC. The Developer must use all net sales proceeds of lot sales received through March 31, 2022 to pay down the Land Loan.

Interest on the District LOC shall accrue at a per annum rate equal to the Wall Street Journal Prime Rate, plus 1.50% per annum, with said rate to be adjusted daily; provided, at no time shall the rate be less than 5.00%. The District LOC has a maturity date of November 30, 2024. Susser Bank charged the Developer a 5% origination fee for its delivery of the District LOC, which fee the Developer has paid in part, and expects to pay the remainder, from District LOC draws. As of December 15, 2021, the District LOC has an outstanding balance of \$454,267.12, which amount was used by the Developer to pay closing costs of the District LOC, including a portion of the 5% origination fee.

The PID Act provides that the Assessment Lien is a first and prior lien against the assessed property within the District and is superior to all other liens and claims except liens or claims for State, county, school district or municipality ad valorem taxes. At or prior to delivery of the Series 2022 Bonds, Susser Bank has agreed to consent to and acknowledge the creation of the District, the levy of the Assessments and the subordination of the liens securing the Land Loan and the District LOC to the Assessment Lien on property within the District securing payment of the Assessments. As a result, the lien on the property within the District securing the Assessments will have priority over the lien on the property within the District securing the Land Loan and the District LOC.

* Preliminary; subject to change.

TIRZ Revenues. The City, the County and the Drainage District have committed to contribute TIRZ Revenues to pay costs of improvements within the TIRZ, including the Authorized Improvements, in the aggregate maximum amount of \$35,914,579. The City has agreed to transfer the TIRZ Annual Credit Amount from the TIRZ Fund to the Pledged Revenue Fund to offset a portion of such lot's Annual Installment of Assessment due each year, as calculated by the PID Administrator in collaboration with the City, in accordance with the Service and Assessment Plan. The Annual Installment will be calculated by taking into consideration any TIRZ Annual Credit Amount applicable to such parcel or lot. See "APPENDIX C — Form of Service and Assessment Plan."

Under the TIRZ Ordinance and TIRZ Project Plan and the Somerset Public Improvement District No. 1 Reimbursement Agreement (TIRZ Revenues) expected to be entered into by the City and the Developer (the "TIRZ Reimbursement Agreement"), the TIRZ Revenues generated by each applicable parcel or lot in any given year shall be used to calculate such lot's TIRZ Annual Credit Amount in the following year (i.e., TIRZ Revenues collected in 2022 shall be used to calculate the TIRZ Annual Credit Amount applicable to Annual Installments to be collected in 2023). The TIRZ Revenues are generated only from ad valorem taxes levied and collected by the City on the captured appraised value on the applicable parcel or lot in any year. Consequently, the TIRZ Revenues are generated only if the appraised value of real property on such parcel or lot in any year is greater than the base value. Any delay or failure of the Developer to develop the District may result in a reduced amount of the TIRZ Revenue being available to credit the Assessments. See "ASSESSMENT PROCEDURES — Assessment Amounts — TIRZ Annual Credit Amount" and "APPENDIX C — Form of Service and Assessment Plan."

The TIRZ will terminate on July 13, 2051 or when the maximum amount committed by each taxing unit is reached, unless terminated by the City earlier. The maximum amounts to be contributed by the City, the County and the Drainage District are \$21,654,086, \$12,267,348, and \$1,993,145, respectively. The City has the right to terminate the TIRZ prior to its expiration if all costs set forth under the TIRZ Project Plan have been paid. The City expects to collect TIRZ Revenues for the last year in calendar year 2050 and apply them to the TIRZ Annual Credit Amount in 2051.

THE TIRZ REVENUES ARE NOT PLEDGED REVENUES AND ARE NOT SECURITY FOR THE BONDS.

THE PID ADMINISTRATOR

The following information has been provided by the PID Administrator. Certain of the following information is beyond the direct knowledge of the City, the City's Financial Advisor and the Underwriter, and none of the City, the City's Financial Advisor or the Underwriter have any way of guaranteeing the accuracy of such information.

The City has entered into an agreement for administration of the District (the "MuniCap Agreement") with MuniCap, Inc. ("MuniCap") to provide specialized services related to the administration of the District needed to support the issuance of the Series 2022 Bonds. The MuniCap Agreement includes seven general types of services provided by MuniCap: (i) administrative support services related to the Assessments, (ii) delinquency management, (iii) prepayment of Assessments, (iv) arbitrage rebate services, (v) continuing disclosure services, (vi) accounting and audit coordination and (vii) IRS compliance monitoring.

MuniCap is a public finance consulting firm with a specialized consulting practice providing services related to the formation and administration of special tax and special assessment districts. MuniCap currently acts as the administrator for over 200 special assessment and taxing districts in 30 states, including Texas.

APPRAISAL OF PROPERTY WITHIN THE DISTRICT

The Appraisal

General. Flato Realty Advisors, LLC (the "Appraiser") prepared an appraisal report for the City dated August 12, 2021, based upon a physical inspection of the District conducted on July 21, 2021 (the "Appraisal"). The Appraisal was prepared at the request of the City. The description herein of the Appraisal is intended to be a brief summary only of the Appraisal as it relates to the District. The Appraisal is attached hereto as APPENDIX F and

should be read in its entirety. The conclusions reached in the Appraisal are subject to certain assumptions, hypothetical conditions and qualifications, which are set forth therein. See “APPENDIX F — Appraisal of the District.”

COVID-19, which has impacted business throughout the world, occurred prior to the date of the Appraisal and market conditions created by the Pandemic have reportedly affected and are affecting the operating performance of certain real estate related properties. The Appraisal notes that there is no market evidence to support or indicate that these conditions are impacting good quality suburban residential development and commercial land values. The Appraisal projects that the Pandemic and its effects are not currently, and will not, impact the District as of the date of completion. See “BONDHOLDERS’ RISKS — Infectious Disease Outbreak” and “APPENDIX F — Appraisal of the District.”

Value Estimates. The Appraiser estimated the market value of the fee simple interest of the District under certain hypothetical conditions. The Appraisal Report does not reflect the value of the District as if sold to a single purchaser in a single transaction. The hypothetical conditions include the assumptions that all of the Authorized Improvements have been completed in accordance with plans and specifications as of the dates specified below. See “THE AUTHORIZED IMPROVEMENTS,” “THE DEVELOPMENT — Development Plan” and “APPENDIX F — Appraisal of the District.”

The cumulative value estimate for the Assessed Property using the methodologies described in the Appraisal and subject to the limiting conditions and assumptions set forth in the Appraisal, as of projected Authorized Improvement completion on August 1, 2022, is \$35,190,000.

None of the City, the Developer or the Underwriter makes any representation as to the accuracy, completeness, assumptions or information contained in the Appraisal. The assumptions or qualifications with respect to the Appraisal are contained therein. There can be no assurance that any such assumptions will be realized, and the City, the Developer and the Underwriter make no representation as to the reasonableness of such assumptions.

Caution should be exercised in the evaluation and use of appraisal results. An appraisal is an estimate of market value as of a specified date based upon assumptions and limiting conditions and any extraordinary assumptions specific to the relevant valuation. It is not a precise measure of value but is based on a subjective comparison of related activity taking place in the real estate market. The valuation set forth in an appraisal is based on various assumptions of future expectations and while the appraiser’s forecasts for properties in the District is considered to be reasonable at the current time, some of the assumptions may not materialize or may differ materially from actual experience in the future. The Series 2022 Bonds will not necessarily trade at values determined solely by reference to the underlying value of the properties in the District.

In performing its analyses, an appraiser makes numerous assumptions with respect to general business, economic and regulatory conditions and other matters, many of which are beyond the Appraiser’s, Underwriter’s and City’s control, as well as to certain factual matters. Furthermore, the Appraiser’s analysis, opinions and conclusions are necessarily based upon market, economic, financial and other circumstances and conditions existing prior to the valuation.

BONDHOLDERS’ RISKS

Before purchasing any of the Series 2022 Bonds, prospective investors and their professional advisors should carefully consider all of the risk factors described below which may create possibilities wherein interest may not be paid when due or that the Series 2022 Bonds may not be paid at maturity or otherwise as scheduled, or, if paid, without premium, if applicable. The following risk factors (which are not intended to be an exhaustive listing of all possible risks associated with an investment in the Series 2022 Bonds) should be carefully considered prior to purchasing any of the Series 2022 Bonds. Moreover, the order of presentation of the risks summarized below does not necessarily reflect the significance of such investment risks.

THE SERIES 2022 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE PLEDGED REVENUES AND OTHER FUNDS COMPRISING THE TRUST

ESTATE, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. THE SERIES 2022 BONDS DO NOT GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWER OF THE CITY AND ARE PAYABLE SOLELY FROM THE SOURCES IDENTIFIED IN THE INDENTURE. THE OWNERS OF THE SERIES 2022 BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF OUT OF MONEY RAISED OR TO BE RAISED BY TAXATION, OR OUT OF ANY FUNDS OF THE CITY OTHER THAN THE PLEDGED REVENUES AND OTHER FUNDS COMPRISING THE TRUST ESTATE, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. NO OWNER OF THE SERIES 2022 BONDS SHALL HAVE THE RIGHT TO DEMAND ANY EXERCISE OF THE CITY'S TAXING POWER TO PAY THE PRINCIPAL OF THE SERIES 2022 BONDS OR THE INTEREST OR REDEMPTION PREMIUM, IF ANY, THEREON. THE CITY SHALL HAVE NO LEGAL OR MORAL OBLIGATION TO PAY THE SERIES 2022 BONDS OUT OF ANY FUNDS OF THE CITY OTHER THAN THE PLEDGED REVENUES AND OTHER FUNDS COMPRISING THE TRUST ESTATE.

The ability of the City to pay debt service on the Series 2022 Bonds as due is subject to various factors that are beyond the City's control. These factors include, among others, (a) the ability or willingness of property owners within the District to pay Assessments levied by the City, (b) cash flow delays associated with the institution of foreclosure and enforcement proceedings against property within the District, (c) general and local economic conditions which may impact real property values, the ability to liquidate real property holdings and the overall value of real property development projects, and (d) general economic conditions which may impact the general ability to market and sell the property within the District, it being understood that poor economic conditions within the City, State and region may slow the assumed pace of sales of such property.

The rate of development of the property in the District is directly related to the vitality of the residential housing industry. In the event that the sale of the lands within the District should proceed more slowly than expected and the Developer is unable to pay the Assessments, only the value of the Assessed Property, with improvements, will be available for payment of the debt service on the Series 2022 Bonds, and such value can only be realized through the foreclosure or expeditious liquidation of the lands within the District. There is no assurance that the value of such lands will be sufficient for that purpose and the expeditious liquidation of real property through foreclosure or similar means is generally considered to yield sales proceeds in a lesser sum than might otherwise be received through the orderly marketing of such real property.

The Underwriter is not obligated to make a market in or repurchase any of the Series 2022 Bonds, and no representation is made by the Underwriter, the City or the City's Financial Advisor that a market for the Series 2022 Bonds will develop and be maintained in the future. If a market does develop, no assurance can be given regarding future price maintenance of the Series 2022 Bonds.

Infectious Disease Outbreak

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States. On March 13, 2020, the President of the United States declared the Pandemic a national emergency and the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State in response to the Pandemic. Under State law, the proclamation of a state of disaster by the Governor may not continue for more than 30 days unless renewed. The Governor has renewed his declaration monthly, most recently on November 27, 2021. On March 25, 2020, in response to a request from the Governor, the President issued a Major Disaster Declaration for the State. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness, mitigation and phased reopening of the State. On March 2, 2021, the Governor issued Executive Order GA-34, which, among other things, removed any COVID-19-related

operating limits for any business or other establishment and ended the State-wide mask mandate. Most recently, on July 29, 2021, the Governor issued Executive Order GA-38, which, among other things, maintains that there are no COVID-19 related operating limits for any business or establishment and that no person may be required by any jurisdiction to wear or mandate the wearing of a face covering. The Governor's order also maintains, in providing or obtaining services, every person (including individuals, businesses, and other legal entities) should use good-faith efforts and available resources to follow the minimum standard health protocols. Executive Order GA-38 remains in place until amended, rescinded, or superseded by the Governor. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. The State may be particularly at risk from any global slowdown, given the prevalence of international trade in the State and the risk of contraction in the oil and gas industry and spillover effects into other industries.

Such adverse economic conditions, if they continue, may reduce or negatively affect economic conditions in the City and lead to unemployment for property owners within the District or may otherwise have a negative impact on the sale of parcels, lots or homes within the District. The Series 2022 Bonds are secured primarily by Assessments levied on benefitted property within the District.

The City continues to monitor the spread of COVID-19 and is working with local, State, and national agencies to address the potential impact of the Pandemic upon the City. None of the City, the Financial Advisor, the Underwriter or the Developer can predict the impact the Pandemic may have on the City, the financial and operating condition of the Developer, the projected buildout schedule, home prices and buildout values or an investment in the Series 2022 Bonds.

Assessment Limitations

Annual Installments of Assessments are billed to property owners of Assessed Property. Annual Installments are due and payable, and bear the same penalties and interest for non-payment, as for ad valorem taxes as set forth under "ASSESSMENT PROCEDURES" herein. Additionally, Annual Installments established by the Service and Assessment Plan correspond in number and proportionate amount to the number of installments and principal amounts of Series 2022 Bonds maturing in each year and the Administrative Expenses for such year. See "ASSESSMENT PROCEDURES" herein. The unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and Annual Installments of Assessment payments in the future.

In order to pay debt service on the Series 2022 Bonds, it is necessary that Annual Installments are paid in a timely manner. Due to the lack of predictability in the collection of Annual Installments in the District, the City has established a Reserve Account in the Reserve Fund, to be funded from the proceeds of the Series 2022 Bonds, to cover delinquencies. The Annual Installments are secured by the Assessment Lien. However, there can be no assurance that foreclosure proceedings will occur in a timely manner so as to avoid depletion of the Reserve Account and delay in payments of debt service on the Series 2022 Bonds. See "BONDHOLDERS' RISKS — Bondholders' Remedies and Bankruptcy" herein.

Upon an ad valorem tax lien foreclosure event of a property within the District, any Assessment that is also delinquent will be foreclosed upon in the same manner as the ad valorem tax lien (assuming all necessary conditions and procedures for foreclosure are duly satisfied). To the extent that a foreclosure sale results in insufficient funds to pay in full both the delinquent ad valorem taxes and the delinquent Assessments, the liens securing such delinquent ad valorem taxes and delinquent Assessments would likely be extinguished. Any remaining unpaid balance of the delinquent Assessments would then be an unsecured personal liability of the original property owner.

Based upon the language of Texas Local Government Code, Section 372.017(b), case law relating to other types of assessment liens and opinions of the Texas Attorney General, the Assessment Lien as it relates to installment payments that are not yet due should remain in effect following an ad valorem tax lien foreclosure, with future installment payments not being accelerated. Texas Local Government Code Section 372.018(d) supports this position,

stating that an Assessment Lien runs with the land and the portion of an assessment payment that has not yet come due is not eliminated by foreclosure of an ad valorem tax lien.

The Assessment Lien is superior to any homestead rights of a property owner that were properly claimed after the adoption of the Assessment Ordinance. **However, an Assessment Lien may not be foreclosed upon if any homestead rights of a property owner were properly claimed prior to the adoption of the Assessment Ordinance (“Pre-existing Homestead Rights”) for as long as such rights are maintained on the property.** It is unclear under State law whether or not Pre-existing Homestead Rights would prevent the Assessment Lien from attaching to such homestead property or instead cause the Assessment Lien to attach, but remain subject to, the Pre-existing Homestead Rights.

Under State law, in order to establish homestead rights, the claimant must show a combination of both overt acts of homestead usage and intention on the part of the owner to claim the land as a homestead. Mere ownership of the property alone is insufficient and the intent to use the property as a homestead must be a present one, not an intention to make the property a homestead at some indefinite time in the future. As of the date of adoption of the Assessment Ordinance, no such homestead rights had been claimed. Furthermore, the Developer is not eligible to claim homestead rights. Consequently, there are and can be no homestead rights on the Assessed Property superior to the Assessment Lien and, therefore, the Assessment Liens may be foreclosed upon by the City.

Failure by owners of the parcels to pay Annual Installments when due, depletion of the Reserve Fund, delay in foreclosure proceedings, or the inability of the City to sell parcels which have been subject to foreclosure proceedings for amounts sufficient to cover the delinquent installments of Assessments levied against such parcels may result in the inability of the City to make full or punctual payments of debt service on the Series 2022 Bonds.

THE ASSESSMENTS CONSTITUTE A FIRST AND PRIOR LIEN AGAINST THE ASSESSED PROPERTY, SUPERIOR TO ALL OTHER LIENS AND CLAIMS EXCEPT LIENS AND CLAIMS FOR STATE, COUNTY, SCHOOL DISTRICT OR MUNICIPALITY AD VALOREM TAXES AND IS A PERSONAL OBLIGATION OF AND CHARGE AGAINST THE OWNERS OF PROPERTY LOCATED WITHIN THE DISTRICT.

Potential Future Changes in State Law Regarding Public Improvement Districts

During Texas legislative sessions and interim business of the Texas legislature, various proposals and reports have been presented by committees of Texas Senate and Texas House of Representative which suggest or recommend changes to the PID Act relating to oversight of bonds secured by special assessments including adopting requirements relating to levels of build out or adding State level oversight in connection with the issuance of bonds secured by special assessments under the PID Act. The 87th Legislative Session of the State ended on May 31, 2021, without any legislation being passed by either chamber of the Texas legislature recommending oversight of bonds secured by assessments. The Governor called three special legislative sessions, which all concluded without any legislation being introduced or passed related to the oversight of bonds secured by assessments. It is impossible to predict what bills may be introduced if the agenda of the special session is expanded or during upcoming legislative sessions and, if passed, the impact that any future legislation will or may have on the security for the Bonds.

The 87th Legislature passed HB 1543, which became effective September 1, 2021 and requires a person who proposes to sell or otherwise convey real property within a public improvement district to provide to the purchaser of the property, before the execution of a binding contract of purchase and sale, written notice of the obligation to pay public improvement district assessments, in accordance with Section 5.014, Texas Property Code, as amended. In the event a contract of purchase and sale is entered into without the seller providing the notice, the purchaser is entitled to terminate the contract. If the Developer, homebuilders or builders within the District do not provide the required notice and prospective purchasers of property within the District terminate a purchase and sale contract, the anticipated absorption schedule may be affected. No assurances can be given that projected absorption schedule presented in this Limited Offering Memorandum will be realized.

General Risks of Real Estate Investment and Development

The Developer has the right to modify or change its plan for development of the District, from time to time, including, without limitation, land use changes, changes in the overall land and phasing plans, and changes to the type, mix, size and number of units to be developed. No defined “true-up” agreement has been entered into between the City and Developer, nor is there a requirement that future developers or Developers enter into such an agreement. There can be no assurance, in the event the Developer or a subsequent developer modifies or changes its plan for development that the necessary revisions to the Service and Assessment Plan will be made. Nor can there be an assurance that the eventual burden on the property resultant from the Assessments will be marketable.

The ability of (i) the Developer and homebuilders to develop lots and sell single-family residential homes within the District and (ii) the Developer and builders to sell or lease retail space, commercial space and apartment units to maximum occupancy levels within the District may be affected by unforeseen changes in the general economic conditions, fluctuations in the real estate market and other factors beyond the control of the owner of the single-family residential lots, retail space, commercial space, or multi-family apartments, as applicable. In the event that a large number of single-family projects, rental, commercial or multi-family projects are constructed outside of the District, and compete with the District, the demand for residential housing and commercial properties within the District could be reduced, thereby adversely affecting the continued development of the District, or its attraction to businesses and residents. The Developer is under contract to purchase the approximately 1,100 acres of land adjacent to the District, which, together with the land within the District, comprise the Development. The Developer expects to develop such land in a similar manner as the District, which may create competition in the future, thereby adversely affecting the absorption schedule within the District.

Investments in undeveloped or developing real estate are generally considered to be speculative in nature and to involve a high degree of risk. The Development will be subject to the risks generally incident to real estate investments and development. Many factors that may affect the Development, as well as the operating revenues of the Developer, including those derived from the Development, are not within the control of the Developer. Such factors include changes in national, regional and local economic conditions; changes in long and short term interest rates; changes in the climate for real estate purchases; changes in demand for or supply of competing properties; changes in local, regional and national market and economic conditions; unanticipated development costs, market preferences and architectural trends; unforeseen environmental risks and controls; the adverse use of adjacent and neighboring real estate; changes in interest rates and the availability of mortgage funds to buyers of the homes to be built in the Development, which may render the sale of such homes difficult or unattractive; acts of war, terrorism or other political instability; delays or inability to obtain governmental approvals; changes in laws; moratorium; acts of God (which may result in uninsured losses); strikes; labor shortages; energy shortages; material shortages; inflation; adverse weather conditions; contractor or subcontractor defaults; and other unknown contingencies and factors beyond the control of the Developer.

The Development cannot be completed without the Developer obtaining a variety of governmental approvals and permits, some of which have already been obtained. Certain permits are necessary to initiate construction of each phase of the Development and to allow the occupancy of residences and to satisfy conditions included in the approvals and permits. There can be no assurance that all of these permits and approvals can be obtained or that the conditions to the approvals and permits can be fulfilled. The failure to obtain any of the required approvals or fulfill any one of the conditions could cause materially adverse financial results for the Developer.

A slowdown of the development process and the related absorption rate within the Development because of any or all of the foregoing could affect adversely land values. The timely payment of the Series 2022 Bonds depends on the willingness and ability of the Developer, the Homebuilders and any subsequent owners to pay the Assessments when due. Any or all of the foregoing could reduce the willingness and ability of such owners to pay the Assessments and could greatly reduce the value of the property within the District in the event such property has to be foreclosed. If Annual Installments of Assessments are not timely paid and there are insufficient funds in the accounts of the Reserve Fund, a nonpayment could result in a payment default under the Indenture.

Risks Related to the Current Residential Real Estate Market

In the past, the real estate market has experienced significant slowing of new home sales and new home closings due in part to the subprime mortgage crisis involving adjustable rate mortgages and other creative mortgage financing tools that allowed persons with higher credit risk to buy homes. The economic crisis that resulted from higher interest rates, at a time when many subprime mortgages were due to reset their interest rates, has served to reduce the availability of mortgages to many potential home buyers, making entry into the real estate market more difficult. Downturns in the real estate market and other factors beyond the control of the Developer, including general economic conditions, may impact the timing of parcel, lot and home sales within the District. No assurances can be given that projected home prices and buildout values presented in this Limited Offering Memorandum will be realized.

Risks Related to Recent Increase in Costs of Building Materials

As a result of the Pandemic and low supply and high demand, there have been substantial increases in the cost of lumber and other materials, causing many homebuilders and general contractors to experience budget overruns. The Developer is responsible for the construction of the Authorized Improvements. The Developer expects to finance the costs of the Authorized Improvements from (i) proceeds of the Series 2022 Bonds, (ii) Assessments securing the Reimbursement Obligation, or from proceeds of Additional Bonds, if issued and (iii) TIRZ Revenues. If the Actual Costs of the Authorized Improvements are substantially greater than the estimated costs, it may affect the ability of the Developer to complete the Authorized Improvements or pay the Assessments when due. If the costs of material continue to increase, it may affect the ability of the Homebuilders, Multifamily Builders and commercial builders to construct homes, multifamily units and commercial space, respectively, within the District. There is no way to predict whether such cost increases or low supply of building materials will continue or if such continuance will affect the development of the District See “THE DEVELOPER — History and Financing of the District.”

Competition

Single-Family Residential. The housing industry in the Corpus Christi MSA area is very competitive, and none of the Developer, the City, the City’s Financial Advisor or the Underwriter can give any assurance that the building programs of the single-family residential development within the District which are planned will ever commence or be completed in accordance with the Developer’s expectations. The competitive position of the Developer or of any homebuilder in the sale of developed lots or the construction and sale of single-family residential units is affected by most of the factors discussed in this section, and such competitive position is directly related to maintenance of market values in the District. The following table includes a list of competitive single-family residential projects, as shown in the Appraisal.

Competitive 50’ Lot Single-Family Residential Projects

| <u>Project Name</u> | <u>Existing Lots</u> | <u>Available Lots</u> | <u>Average Home Price</u> |
|-----------------------|----------------------|-----------------------|---------------------------|
| Saratoga Downs Unit 3 | 116 | 71 | \$200,000 - \$300,000 |
| David Estates Unit 2 | 53 | 18 | \$275,000 - \$375,000 |
| David Estates Unit 5 | 46 | 29 | \$300,000 - \$400,000 |

There can be no assurances that other similar single-family residential projects will not be developed in the future or that existing projects will not be upgraded or otherwise able to compete with the Development. For more information on competitive projects, see “APPENDIX F — Appraisal of the District – Residential Market Analysis – Competitive Market Overview – Corpus Christi MSA.”

Commercial and Multi-family. Typically, the demand for commercial, industrial and multi-family development follows development of single-family residential, as demand increases due to population growth. The competitive position of the Developer or of any purchaser of commercial, retail, office, multi-family or mixed-use land within the District in the sale or lease of developed lots or the construction and sale of multifamily residential units, as applicable, is affected by most of the factors discussed in this section, and such competitive position is directly related to maintenance of market values in the District. None of the Developer, the City, the City’s Financial Advisor or the Underwriter can give any assurance that the building programs of the commercial, retail, office, multi-family or mixed-use development within the District which are planned will ever commence or be completed in accordance

with the Developer’s expectations. The following table shows the retail, office, industrial and multi-family land market analysis for the Corpus Christi MSA, as shown in the Appraisal.

| <u>Market</u> | <u>Inventory</u> | <u>Average Market Rental</u> | <u>Average Vacancy Rate</u> | <u>12-Month Absorption</u> | <u>Projects Under and Planned for Construction</u> | <u>Market Demand</u> |
|---------------|--------------------|------------------------------|-----------------------------|----------------------------|--|--------------------------------------|
| Retail | 23,700,000 sq. ft. | \$14.86 per sq. ft. per year | 4.2% | 12,300 sq. ft. | 114,000 sq. ft. | Relatively Strong |
| Office | 11,200,000 sq. ft. | \$18.33 per sq. ft. per year | 9.6% | (145,000) sq. ft. | None | Relatively Stable |
| Industrial | 21,900,000 sq. ft. | \$8.94 per sq. ft. per year | 5.8% | (147,000) sq. ft. | 56,000 sq. ft. | Stable |
| Multi-family | 31,660 units | \$1,037 per month | 7.8% | 840 units | 534 units | Period of rapid growth and expansion |

There can be no assurances that projects similar to the District will not be developed in the future or that existing projects will not be upgraded or otherwise able to compete with the District. For more information on competitive projects, see “APPENDIX F — Appraisal of the District – Commercial/Mixed-Use/Multi-family Land Market Analysis.”

Loss of Tax Exemption

The Indenture contains covenants by the City intended to preserve the exclusion from gross income of interest on the Series 2022 Bonds for federal income tax purposes. As discussed under the caption “TAX MATTERS” herein, interest on the Series 2022 Bonds could become includable in gross income for purposes of federal income taxation, retroactive to the date the Series 2022 Bonds were issued, as a result of future acts or omissions of the City in violation of its covenants in the Indenture.

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Series 2022 Bonds under federal or state law and could affect the market price or marketability of the Series 2022 Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Series 2022 Bonds should consult their own tax advisors regarding the foregoing matters.

Bankruptcy

The payment of Assessments and the ability of the City to foreclose on the lien of a delinquent unpaid Assessment may be limited by bankruptcy, insolvency or other laws generally affecting creditors’ rights or by the laws of the State relating to judicial foreclosure. Although bankruptcy proceedings would not cause the Assessments to become extinguished, bankruptcy of a property owner in all likelihood would result in a delay in prosecuting foreclosure proceedings. Such a delay would increase the likelihood of a delay or default in payment of the principal of and interest on the Series 2022 Bonds, and the possibility that delinquent Assessments might not be paid in full.

Direct and Overlapping Indebtedness, Assessments and Taxes

The ability of an owner of property within the District to pay the Assessments could be affected by the existence of other taxes and assessments imposed upon the property. Public entities whose boundaries overlap those of the District currently impose ad valorem taxes on the property within the District and will likely do so in the future. Such entities could also impose assessment liens on the property within the District. The imposition of additional liens, or for private financing, may reduce the ability or willingness of the landowners to pay the Assessments.

TIRZ Annual Credit Amount and Marketing of the Development

The TIRZ Revenues are generated only from ad valorem taxes levied and collected by the City, County and Drainage District, respectively, on the captured appraisal value in the TIRZ in any year. Any delay or failure by the Developer, homebuilders or builders of the multifamily and commercial sites to develop the District may result in a reduced amount of the TIRZ Revenue being available to credit the Assessments. The ability of the TIRZ Annual Credit Amount to reduce the Annual Installments within the District is dependent on the actual buildout values in the District meeting the projections for the estimated buildout value described in the Service and Assessment Plan. See “OVERLAPPING TAXES AND DEBT” and “APPENDIX C —Service and Assessment Plan.”

If the City contributes the TIRZ Revenues to the payment of the Authorized Improvements, the City will deposit less tax revenue into its general fund for use on public services, such as police and fire protection. Application of the TIRZ Annual Credit Amount may affect the City’s ability to provide for such basic services.

It is uncertain what impact, if any, the TIRZ Annual Credit Amount application to the Annual Installments will have on the underwriting of residential mortgages. If the underwriter of residential mortgages does not recognize the TIRZ Annual Credit Amount, it may make it more difficult for a borrower to qualify for a home mortgage which could have a negative impact on home sales and projected absorption.

Depletion of Reserve Account of the Reserve Fund

Failure of the owners of property within the District to pay the Assessments when due could result in the rapid, total depletion of the Reserve Account of the Reserve Fund prior to replenishment from the resale of property upon a foreclosure or otherwise or delinquency redemptions after a foreclosure sale, if any. There could be a default in payments of the principal of and interest on the Series 2022 Bonds if sufficient amounts are not available in the Reserve Account of the Reserve Fund. The Indenture will provide that if, after a withdrawal from the Reserve Account of the Reserve Fund, the amount in the Reserve Account of the Reserve Fund is less than the Reserve Account Requirement, the Trustee shall transfer an amount from the Pledged Revenue Fund to the Reserve Account of the Reserve Fund sufficient to cure such deficiency, as described under “SECURITY FOR THE BONDS — Reserve Fund – Reserve Account” herein.

Hazardous Substances

While governmental taxes, assessments and charges are a common claim against the value of a parcel, other less common claims may be relevant. One of the most serious in terms of the potential reduction in the value that may be realized to the assessment is a claim with regard to a hazardous substance. In general, the owners and operators of a parcel may be required by law to remedy conditions relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or “Superfund Act,” is the most well-known and widely applicable of these laws. It is likely that, should any of the parcels of land located in the District be affected by a hazardous substance, the marketability and value of parcels would be reduced by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

The value of the land within the District does not consider the possible liability of the owner (or operator) for the remedy of a hazardous substance condition of the parcel. The City has not independently verified, and is not aware, that the owner (or operator) of any of the parcels within the District has such a current liability with respect to such parcel; however, it is possible that such liabilities do currently exist, and that the City is not aware of them.

Further, it is possible that liabilities may arise in the future with respect to any of the land within the District resulting from the existence, currently, of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened or may arise in the future resulting from the existence, currently, on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of a parcel that is realizable upon a delinquency.

Regulation

Development within the District may be subject to future federal, state and local regulations. Approval may be required from various agencies from time to time in connection with the layout and design of development in the District, the nature and extent of public improvements, land use, zoning and other matters. Failure to meet any such regulations or obtain any such approvals in a timely manner could delay or adversely affect development in the District and property values.

Availability of Utilities

The progress of development within the District is also dependent upon the City providing an adequate supply of water and sufficient capacity for the collection and treatment of wastewater. If the City fails to supply water and wastewater services to the property in the District, the development of the land in the District could be adversely affected. See “THE DEVELOPMENT — Utilities.”

100-Year Flood Plain

Approximately 10 acres within Tract 1 and 10 of the District, is located within an official FEMA 100-year flood plain as shown on the current Federal Emergency Management Agency’s Flood Insurance Rate Map Community Panel No. 48409C0275E (the “Flood Plain”). All building foundations to be built on property within the District, including the Flood Plain, will be raised by 1.5 feet to meet City requirements. The Developer expects the land within the Flood Plain to be used for a detention pond and open recreation areas. The Developer expects to file for a letter of map revision (“LOMR”) from FEMA to remove approximately 10 acres of the land from the floodplain.

Additionally, FEMA will from time to time revise its Flood Insurance Rate Maps. None of the City, the Underwriter, or the Developer make any representation as to whether FEMA may revise its Flood Insurance Rate Maps, whether such revisions may result in homes that are currently outside of the 100-year flood plain from being included in the 100-year flood plain in the future, or whether extreme flooding events may exceed the Flood Plain.

Risk from Weather Events

All of the State, including the City, is subject to extreme weather events that can cause loss of life and damage to property through strong winds, hurricanes, tropical storms, flooding, heavy rains and freezes, including events similar to the severe winter storm that the continental United States experienced in February 2021, which resulted in disruptions in the Electric Reliability Council of Texas power grid and prolonged blackouts throughout the State. It is impossible to predict whether similar events will occur in the future and the impact they may have on the City, including land within the District.

Exercise of Mineral Rights

As described herein under “THE DEVELOPMENT— Mineral Rights,” there are certain mineral rights reservations located within the District not owned by the Developer. There may also be additional mineral rights and related real property rights reflected in the chain of title for the real property within the District recorded in the real property records of San Patricio County.

The Developer does not expect the existence or exercise of any mineral rights or related real property rights in or around the District to have a material adverse effect on the Development, the property within the District, or the ability of landowners within the District to pay Assessments. However, the Developer provides no representations, warranties or other assurances with respect to the existence or exercise of any mineral rights or related real property rights in or around the District. Furthermore, none of the City, the Financial Advisor, or the Underwriter provide any assurances as to such Developer expectations.

Bondholders’ Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Series 2022 Bonds or the occurrence of any other Event of Default under the Indenture, and upon the written request of a Majority Interest and its receipt of indemnity satisfactory thereto, the Trustee shall proceed to protect and enforce its rights and the rights of the owners of the Series 2022 Bonds under the Indenture by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for mandamus or the specific performance of any covenant or agreement contained therein or in aid or execution of any power granted or for the enforcement of any proper legal or equitable remedy, as the Trustee shall deem most effectual to protect and enforce such rights. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the City’s obligations under the Series 2022 Bonds or the Indenture and such obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Series 2022 Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The owners of the Series 2022 Bonds cannot themselves foreclose on property or sell property within the District in order to pay the principal of and interest on the Series 2022 Bonds. The enforceability of the rights and remedies of the owners of the Series 2022 Bonds further may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the City. In this regard, should the City file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the City to seek judicial foreclosure of its Assessment Lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See “BONDHOLDERS’ RISKS — Bankruptcy Limitation to Bondholders’ Rights” herein.

Any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a property owner within the District pursuant to the Federal Bankruptcy Code could, subject to its discretion, delay or limit any attempt by the City to collect delinquent Assessments, or delinquent ad valorem taxes, against such property owner.

In addition, in 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) (“Tooke”) that a waiver of sovereign immunity must be provided for by statute in “clear and unambiguous” language. In so ruling, the Court declared that statutory language such as “sue and be sued”, in and of itself, did not constitute a clear and unambiguous waiver of sovereign immunity. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151-.160, Texas Local Government Code (the “Local Government Immunity Waiver Act”), which, according to the Court, waives “immunity from suit for contract claims against most local governmental entities in certain circumstances.” The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods or services to cities.

In *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) (“Wasson”), the Texas Supreme Court (the “Court”) addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that “a city’s proprietary functions are not done pursuant to the ‘will of the people’” and protecting such municipalities “via the [S]tate’s immunity is not an efficient way to ensure efficient allocation of [S]tate resources.” While the Court recognized that the distinction between governmental and proprietary functions is not clear, the Wasson opinion held that the Proprietary-Governmental Dichotomy applies in a contract-claims context. The Court reviewed Wasson for a second time and issued an opinion on October 5, 2018 clarifying that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory and common law guidance at the time of inception of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under authority or for the benefit of the State; these are usually activities that can be, and often are, provided by private persons, and therefore are not done as a branch of the State, and do not implicate the state’s immunity since they are not performed under the authority, or for the benefit, of the State as sovereign. Notwithstanding the foregoing new case law issued by the Court, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance

of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgement, is justiciable against a municipality.

The City is not aware of any State court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings of local governments that relate to their borrowing powers are contracts covered by such act. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages in the absence of City action, the Trustee or the owners of the Series 2022 Bonds may not be able to bring such a suit against the City for breach of the Series 2022 Bonds or the Indenture covenants. As noted above, the Indenture provides that owners of the Series 2022 Bonds may exercise the remedy of mandamus to enforce the obligations of the City under the Indenture. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in Tooke, and it is unclear whether Tooke will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by State courts. In general, State courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. State courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally-imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of moneys due under a contract).

Judicial Foreclosures

Judicial foreclosure proceedings are not mandatory; however, the City has covenanted to order and cause such actions to be commenced. In the event a foreclosure is necessary, there could be a delay in payments to owners of the Series 2022 Bonds pending prosecution of the foreclosure proceedings and receipt by the City of the proceeds of the foreclosure sale. It is possible that no bid would be received at the foreclosure sale, and, in such event, there could be an additional delay in payment of the principal of and interest on the Series 2022 Bonds or such payment may not be made in full. Moreover, in filing a suit to foreclose, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property; the proceeds of any sale of property within the District available to pay debt service on the Series 2022 Bonds may be limited by the existence of other tax liens on the property. See "OVERLAPPING TAXES AND DEBT." Collection of delinquent taxes and Assessments may be adversely affected by the effects of market conditions on the foreclosure sale price, and by other factors, including taxpayers' right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property, and by a time-consuming and expensive collection procedure.

No Acceleration

The Indenture does not contain a provision allowing for the acceleration of the Series 2022 Bonds in any event, including in the event of a payment default or other default under the terms of the Series 2022 Bonds or the Indenture.

Limited Secondary Market for the Series 2022 Bonds

The Series 2022 Bonds may not constitute a liquid investment, and there is no assurance that a liquid secondary market will exist for the Series 2022 Bonds in the event an Owner thereof determines to solicit purchasers for the Series 2022 Bonds. Even if a liquid secondary market exists, there can be no assurance as to the price for which the Series 2022 Bonds may be sold. Such price may be lower than that paid by the current Owners of the Series 2022 Bonds, depending on the progress of development of the District subject to the Assessments, existing real estate and financial market conditions and other factors.

No Credit Rating

The City has not applied for or received a credit rating on the Series 2022 Bonds. Even if a credit rating had been sought for the Series 2022 Bonds, it is not anticipated that such a rating would have been investment grade. The absence of a rating could affect the future marketability of the Series 2022 Bonds. There is no assurance that a secondary market for the Series 2022 Bonds will develop or that holders who desire to sell their Series 2022 Bonds

prior to their Stated Maturity will be able to do so. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary market trading in connection with a particular issue is suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then generally prevailing circumstances. Such prices could be substantially different from the original purchase price.

Bankruptcy Limitation to Bondholders' Rights

The enforceability of the rights and remedies of the owners of the Series 2022 Bonds may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the City. The City is authorized under State law to voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. 901-946. The City may proceed under Chapter 9 if it (1) is generally not paying its debts, or unable to meet its debts, as they become due, (2) desires to effect a plan to adjust such debts, and (3) has either obtained the agreement of or negotiated in good faith with its creditors, is unable to negotiate with its creditors because negotiation is impracticable, or reasonably believes that a creditor may attempt to obtain a preferential transfer.

If the City decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the City would develop and file a plan for the adjustment of its debts, and the Bankruptcy Court would confirm the plan if (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code, (2) all payments to be made in connection with the plan are fully disclosed and reasonable, (3) the City is not prohibited by law from taking any action necessary to carry out the plan, (4) administrative expenses are paid in full, (5) all regulatory or electoral approvals required under State law are obtained and (6) the plan is in the best interests of creditors and is feasible. The rights and remedies of the owners of the Series 2022 Bonds would be adjusted in accordance with the confirmed plan of adjustment of the City's debt.

Management and Ownership

The management and ownership of the Developer and related property owners could change in the future. Purchasers of the Series 2022 Bonds should not rely on the management experience of such entities. There are no assurances that such entities will not sell the subject property or that officers will not resign or be replaced. In such circumstances, a new developer or new officers in management positions may not have comparable experience in projects comparable to the Development.

Dependence Upon Developer

Currently, the Developer has the obligation for payment of 100% of the Assessments. The ability of the Developer to make full and timely payment of the Assessments will directly affect the ability of the City to meet its debt service obligations with respect to the Series 2022 Bonds. The sole assets of the Developer are land within the District, related permits and development rights and minor operating accounts. There can be no assurances given as to the financial ability of the Developer to advance any funds to the City to supplement revenues from the Assessments if necessary, or as to whether the Developer will advance such funds. See "THE DEVELOPER — Description of the Developer."

Wiley McIlwain, one of the principals of the Developer, filed voluntary Chapter 13 bankruptcy in 2004 and 2006 as a legal tactic to avert a foreclosure by the lender on a home mortgage loan for a home that he owned, but in which he did not reside. The tenant agreed to make the mortgage payments but had failed to make timely payments. In both occasions, Mr. McIlwain was successful in preparing and abiding by the bankruptcy payment plan and making the lender whole, which resulted in both proceedings being dismissed.

TAX MATTERS

Opinion

On the date of initial delivery of the Series 2022 Bonds, McCall, Parkhurst & Horton L.L.P., Bond Counsel to the City, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (1) interest on the Series 2022 Bonds for federal income tax purposes will be excludable from the “gross income” of the holders thereof and (2) the Series 2022 Bonds will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the “Code”). Except as stated above, Bond Counsel to the City will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Series 2022 Bonds. See “APPENDIX D — Form of Opinion of Bond Counsel.”

In rendering its opinion, Bond Counsel to the City will rely upon (a) certain information and representations of the City, including information and representations contained in the City’s federal tax certificate, and (b) covenants of the City contained in the Series 2022 Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Series 2022 Bonds and property financed or refinanced therewith. Failure by the City to observe the aforementioned representations or covenants could cause the interest on the Series 2022 Bonds to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Series 2022 Bonds in order for interest on the Series 2022 Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Series 2022 Bonds to be included in gross income retroactively to the date of issuance of the Series 2022 Bonds. The opinion of Bond Counsel to the City is conditioned on compliance by the City with the covenants and the requirements described in the preceding paragraph, and Bond Counsel to the City has not been retained to monitor compliance with these requirements subsequent to the issuance of the Series 2022 Bonds.

Bond Counsel’s opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel’s opinion is not a guarantee of a result. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Series 2022 Bonds.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Series 2022 Bonds or the facilities financed or refinanced with the proceeds of the Series 2022 Bonds. Bond Counsel’s opinion represents its legal judgment based upon its review of Existing Law and the representations of the City that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Series 2022 Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Series 2022 Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Series 2022 Bonds may not be equal to the accrual period or be in excess of one year (the “Original Issue Discount Bonds”). In such event, the difference between (i) the “stated redemption price at maturity” of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The “stated redemption price at maturity” means the sum of all payments to be made on the Series 2022 Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Series 2022 Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Series 2022 Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE SERIES 2022 BONDS.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Series 2022 Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Series 2022 Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount Bonds" to the extent such gain does not exceed the accrued market discount of such Bonds;

although for this purpose, a de minimis amount of market discount is ignored. A “market discount bond” is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the “revised issue price” (i.e., the issue price plus accrued original issue discount). The “accrued market discount” is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Series 2022 Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Series 2022 Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner’s social security number or other taxpayer identification number (“TIN”), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient’s federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Series 2022 Bonds under Federal or state law and could affect the market price or marketability of the Series 2022 Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Series 2022 Bonds should consult their own tax advisors regarding the foregoing matters.

LEGAL MATTERS

Legal Proceedings

Delivery of the Series 2022 Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General to the effect that the Series 2022 Bonds are valid and legally binding obligations of the City under the Constitution and laws of the State, payable from the Trust Estate and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Series 2022 Bonds, the legal opinion of Bond Counsel, to a like effect.

McCall, Parkhurst & Horton L.L.P., serves as Bond Counsel to the City. Orrick, Herrington & Sutcliffe LLP serves as Underwriter’s Counsel. The legal fees paid to Bond Counsel and Underwriter’s Counsel are contingent upon the sale and delivery of the Series 2022 Bonds.

Legal Opinions

The City will furnish the Underwriter a transcript of certain certified proceedings incident to the authorization and issuance of the Series 2022 Bonds. Such transcript will include a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Series 2022 Bond Register of the Comptroller of Public Accounts of the State, to the effect that the Series 2022 Bonds are valid and binding special obligations of the City. The City will also furnish the legal opinion of Bond Counsel, to the effect that, based upon an examination of such transcript, the

Series 2022 Bonds are valid and binding special obligations of the City under the Constitution and laws of the State. The legal opinion of Bond Counsel will further state that the Series 2022 Bonds, including principal of and interest thereon, are payable from and secured by a pledge of and lien on the Trust Estate. Bond Counsel will also provide a legal opinion to the effect that interest on the Series 2022 Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described above under the caption “TAX MATTERS.” A copy of the opinion of Bond Counsel is attached hereto as “APPENDIX D — Form of Opinion of Bond Counsel.”

Except as noted below, Bond Counsel did not take part in the preparation of the Limited Offering Memorandum, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Series 2022 Bonds herein under the captions or subcaptions “PLAN OF FINANCE — The Series 2022 Bonds,” “DESCRIPTION OF THE SERIES 2022 BONDS,” “SECURITY FOR THE BONDS,” “ASSESSMENT PROCEDURES” (except for the subcaptions “Assessment Methodology” and “Assessment Amounts,” as to which no opinion is expressed), “THE DISTRICT,” “TAX MATTERS,” “LEGAL MATTERS — Legal Proceedings” (except for the final paragraph thereof), “LEGAL MATTERS — Legal Opinions” (except for the final paragraph thereof, as to which no opinion is expressed), “CONTINUING DISCLOSURE — The City,” “REGISTRATION AND QUALIFICATION OF SERIES 2022 BONDS FOR SALE,” “LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS” and “APPENDIX B” and such firm is of the opinion that the information relating to the Series 2022 Bonds, the Bond Ordinance, the Assessment Ordinance and the Indenture contained therein fairly and accurately describes the laws and legal issues addressed therein and, with respect to the Series 2022 Bonds, such information conforms to the Bond Ordinance, the Assessment Ordinance and the Indenture.

The various legal opinions to be delivered concurrently with the delivery of the Series 2022 Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Litigation — The City

At the time of delivery and payment for the Series 2022 Bonds, the City will certify that, except as disclosed herein, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to its knowledge, overtly threatened against the City affecting the existence of the District, or seeking to restrain or to enjoin the sale or delivery of the Series 2022 Bonds, the application of the proceeds thereof, in accordance with the Indenture, or the collection or application of the Assessments securing the Series 2022 Bonds, or in any way contesting or affecting the validity or enforceability of the Series 2022 Bonds, the Assessment Ordinance, the Indenture, any action of the City contemplated by any of the said documents, or the collection or application of the Pledged Revenues, or in any way contesting the completeness or accuracy of this Limited Offering Memorandum or any amendment or supplement thereto, or contesting the powers of the City or its authority with respect to the Series 2022 Bonds or any action of the City contemplated by any documents relating to the Series 2022 Bonds.

Litigation — The Developer

At the time of delivery and payment for the Series 2022 Bonds, the Developer will certify that, except as disclosed herein, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory body, public board or body pending, or, to the best knowledge of the Developer, threatened against or affecting the Developer or any of its affiliates wherein an unfavorable decision, ruling or finding would have a material adverse effect on the financial condition or operations of the Developer or its general partner or would adversely affect (1) the transactions contemplated by, or the validity or enforceability of, the Series 2022 Bonds, the Indenture, the Bond Ordinance, the Service and Assessment Plan, the Development Agreement, the Completion Agreement, the Reimbursement Agreement, the Financing Agreement, or the Bond Purchase Agreement, or otherwise described in this Limited Offering Memorandum, or (2) the tax-exempt status of interest on the Series 2022 Bonds (individually or in the aggregate, a “Material Adverse Effect”).

SUITABILITY FOR INVESTMENT

Investment in the Series 2022 Bonds poses certain economic risks. See “BONDHOLDERS’ RISKS.” The Series 2022 Bonds are not rated by any nationally recognized municipal securities rating service. No dealer, broker, salesman or other person has been authorized by the City or the Underwriter to give any information or make any representations, other than those contained in this Limited Offering Memorandum, and, if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing. Additional information will be made available to each prospective investor, including the benefit of a site visit to the City and the opportunity to ask questions of the Developer, as such prospective investor deems necessary in order to make an informed decision with respect to the purchase of the Series 2022 Bonds.

ENFORCEABILITY OF REMEDIES

The remedies available to the owners of the Series 2022 Bonds upon an event of default under the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay. See “BONDHOLDERS’ RISKS — Bondholders’ Remedies and Bankruptcy.” Under existing constitutional and statutory law and judicial decisions, including the federal bankruptcy code, the remedies specified by the Indenture and the Series 2022 Bonds may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2022 Bonds will be qualified, as to the enforceability of the remedies provided in the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors and enacted before or after such delivery.

NO RATING

No application for a rating on the Series 2022 Bonds has been made to any rating agency, nor is there any reason to believe that the City would have been successful in obtaining an investment grade rating for the Series 2022 Bonds had application been made.

CONTINUING DISCLOSURE

The City

Pursuant to Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”), the City, the PID Administrator and UMB Bank, N.A. (in such capacity, the “Dissemination Agent”) will enter into a Continuing Disclosure Agreement (the “Disclosure Agreement of the Issuer”) for the benefit of the Owners of the Series 2022 Bonds (including owners of beneficial interests in the Series 2022 Bonds), to provide, by certain dates prescribed in the Disclosure Agreement of the Issuer, certain financial information and operating data relating to the City (collectively, the “City Reports”). The specific nature of the information to be contained in the City Reports is set forth in “APPENDIX E-1 — Form of Disclosure Agreement of the Issuer.” Under certain circumstances, the failure of the City to comply with its obligations under the Disclosure Agreement of the Issuer constitutes an event of default thereunder. Such a default will not constitute an event of default under the Indenture, but such event of default under the Disclosure Agreement of the Issuer would allow the Owners of the Series 2022 Bonds (including owners of beneficial interests in the Series 2022 Bonds) to bring an action for specific performance.

The City has agreed to update information and to provide notices of certain specified events only as provided in the Disclosure Agreement of the Issuer. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided in this Limited Offering Memorandum, except as provided in the Disclosure Agreement of the Issuer. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell the Series 2022 Bonds at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of the Disclosure Agreement of the Issuer or from any statement made pursuant to the Disclosure Agreement of the Issuer.

The City’s Compliance with Prior Undertakings

Except as hereinafter described, during the last five years, the City has complied in all material respects with its continuing disclosure agreements made in accordance with the Rule. Due to an administrative oversight, audited financial statements of the City were not filed within the required time period for fiscal years ending 2016 and 2017. The City filed such audited financial statements, along with a notice of late filing, on October 12, 2021.

The Developer

The Developer, the PID Administrator and the Dissemination Agent will enter into a Continuing Disclosure Agreement (the “Disclosure Agreement of the Developer”) for the benefit of the Owners of the Series 2022 Bonds (including owners of beneficial interests in the Series 2022 Bonds), to provide, by certain dates prescribed in the Disclosure Agreement of the Developer, certain information regarding the Development and the Authorized Improvements (collectively, the “Developer Reports”). The specific nature of the information to be contained in the Developer Reports is set forth in “APPENDIX E-2 — Form of Disclosure Agreement of the Developer.” Under certain circumstances, the failure of the Developer or the PID Administrator to comply with its obligations under the Disclosure Agreement of the Developer constitutes an event of default thereunder. Such a default will not constitute an event of default under the Indenture, but such event of default under the Disclosure Agreement of the Developer would allow the Owners of the Series 2022 Bonds (including owners of beneficial interests in the Series 2022 Bonds) to bring an action for specific performance.

The Developer has agreed to provide (i) prepare and provide certain updated information to the PID Administrator, which consultant will prepare and provide such updated information in report form to the Dissemination Agent and (ii) notices of certain specified events, only as provided in the Disclosure Agreement of the Developer. The Developer has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided in this Limited Offering Memorandum, except as provided in the Disclosure Agreement of the Developer. The Developer makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell the Series 2022 Bonds at any future date. The Developer disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of the Disclosure Agreement of the Developer or from any statement made pursuant to the Disclosure Agreement of the Developer.

The Developer’s Compliance with Prior Undertakings

The Developer has not previously entered into any continuing disclosure agreements related to the issuance of public securities.

UNDERWRITING

FMSbonds, Inc. (the “Underwriter”) has agreed to purchase the Series 2022 Bonds from the City at a purchase price of \$ _____ (representing the par amount of the Series 2022 Bonds, less an underwriting discount of \$ _____). The Underwriter’s obligations are subject to certain conditions precedent and if obligated to purchase any of the Series 2022 Bonds the Underwriter will be obligated to purchase all of the Series 2022 Bonds. The Series 2022 Bonds may be offered and sold by the Underwriter at prices lower than the initial offering prices stated on page i hereof, and such initial offering prices may be changed from time to time by the Underwriter.

Additionally, there are no assurances that if a secondary market for the Series 2022 Bonds were to develop, that it will not be disrupted by events including, but not limited to, the current pandemic associated with the COVID-19 virus. Consequently, investors may not be able to resell the Series 2022 Bonds purchased should they need or wish to do so for emergency or other purposes. See “BONDHOLDERS’ RISKS — Infectious Disease Outbreak” herein.

REGISTRATION AND QUALIFICATION OF SERIES 2022 BONDS FOR SALE

The sale of the Series 2022 Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Series 2022 Bonds have not

been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Series 2022 Bonds been qualified under the securities acts of any other jurisdiction. The City assumes no responsibility for qualification of the Series 2022 Bonds under the securities laws of any jurisdiction in which the Series 2022 Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Series 2022 Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

The PID Act and Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code, as amended) provide that the Series 2022 Bonds are negotiable instruments and investment securities governed by Chapter 8, Texas Business and Commerce Code, as amended, and are legal and authorized investments for insurance companies, fiduciaries, trustees, or for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Series 2022 Bonds by municipalities or other political subdivisions or public agencies of the State, the PFIA requires that the Series 2022 Bonds be assigned a rating of at least “A” or its equivalent as to investment quality by a national rating agency. See “NO RATING” above. In addition, the PID Act and various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Series 2022 Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Series 2022 Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Series 2022 Bonds are legal investments for various institutions in those states. No representation is made that the Series 2022 Bonds will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes.

The City made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Series 2022 Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Series 2022 Bonds for such purposes.

INFORMATION RELATING TO THE TRUSTEE

The City has appointed UMB Bank, N.A., a national banking association organized under the laws of the United States, to serve as Trustee. The Trustee is to carry out those duties assignable to it under the Indenture. Except for the contents of this section, the Trustee has not reviewed or participated in the preparation of this Limited Offering Memorandum and assumes no responsibility for the contents, accuracy, fairness or completeness of the information set forth in this Limited Offering Memorandum or for the recitals contained in the Indenture or the Series 2022 Bonds, or for the validity, sufficiency, or legal effect of any of such documents.

Furthermore, the Trustee has no oversight responsibility, and is not accountable, for the use or application by the City of any of the Series 2022 Bonds authenticated or delivered pursuant to the Indenture or for the use or application of the proceeds of such Series 2022 Bonds by the City. The Trustee has not evaluated the risks, benefits, or propriety of any investment in the Series 2022 Bonds and makes no representation, and has reached no conclusions, regarding the value or condition of any assets or revenues pledged or assigned as security for the Series 2022 Bonds, the technical or financial feasibility of the project, or the investment quality of the Series 2022 Bonds, about all of which the Trustee expresses no opinion and expressly disclaims the expertise to evaluate.

Additional information about the Trustee may be found at its website at www.umb.com. Neither the information on the Trustee’s website, nor any links from that website, is a part of this Limited Offering Memorandum, nor should any such information be relied upon to make investment decisions regarding the Series 2022 Bonds.

SOURCES OF INFORMATION

General

The information contained in this Limited Offering Memorandum has been obtained primarily from the City's records, the Developer and its representatives and other sources believed to be reliable. In accordance with its responsibilities under the federal securities law, the Underwriter has reviewed the information in this Limited Offering Memorandum in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of the transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Limited Offering Memorandum or any sale hereunder will create any implication that there has been no change in the financial condition or operations of the City or the Developer described herein since the date hereof. This Limited Offering Memorandum contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized. The summaries of the statutes, resolutions, ordinances, indentures and engineering and other related reports set forth herein are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

Developer

The information contained in this Limited Offering Memorandum relating to the description of the Development generally and, in particular, the information included in the maps in this Limited Offering Memorandum and in the sections captioned "PLAN OF FINANCE — Development Plan" and "— Status of Development and Purchase Contracts," "THE AUTHORIZED IMPROVEMENTS," "THE DEVELOPMENT," and "THE DEVELOPER," and, to the best of its knowledge after due inquiry, under the captions "BONDHOLDERS' RISKS" (only as it pertains to the Developer, the Authorized Improvements and the Development), "LEGAL MATTERS — Litigation — The Developer," "CONTINUING DISCLOSURE — The Developer" and "— The Developer's Compliance with Prior Undertakings," "APPENDIX E-2," "APPENDIX G" and "APPENDIX H" has been provided by the Developer, and the Developer warrants and represents that the information contained herein is true and correct and does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made herein, in the light of the circumstances under which they were made, not misleading. At the time of delivery of the Series 2022 Bonds to the Underwriter, the Developer will deliver a certificate to this effect to the City and the Underwriter.

Experts

The information regarding the Service and Assessment Plan in this Limited Offering Memorandum has been provided by MuniCap, Inc. and has been included in reliance upon the authority of such firm as experts in the field of assessment allocation/methodology and district administration

The information regarding the Appraisal in this Limited Offering Memorandum has been provided by Flato Realty Advisors, LLC and has been included in reliance upon the authority of such firm as experts in the field of the appraisal of real property. Flato Realty Advisors, LLC has consented to the inclusion of the Appraisal herein.

Updating of Limited Offering Memorandum

If, subsequent to the date of the Limited Offering Memorandum, the City learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Underwriter, of any adverse event which causes the Limited Offering Memorandum to be materially misleading, and unless the Underwriter elects to terminate its obligation to purchase the Series 2022 Bonds, the City will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the Limited Offering Memorandum satisfactory to the Underwriter; provided, however, that the obligation of the City to so amend or supplement the Limited Offering Memorandum will terminate when the City delivers the Series 2022 Bonds to the Underwriter, unless the Underwriter notifies the City on or before such date that less than all of the Series 2022 Bonds have been sold to

ultimate customers; in which case the City’s obligations hereunder will extend for an additional period of time (but not more than ninety (90) days after the date the City delivers the Series 2022 Bonds) until all of the Series 2022 Bonds have been sold to ultimate customers.

FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this Limited Offering Memorandum constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21e of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “anticipate,” “budget” or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ANY OF ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR, OTHER THAN AS DESCRIBED UNDER “CONTINUING DISCLOSURE” HEREIN.

AUTHORIZATION AND APPROVAL

The City Council has approved by resolution the form and content of this Preliminary Limited Offering Memorandum and has authorized this Preliminary Limited Offering Memorandum to be used by the Underwriter in connection with the marketing and sale of the Series 2022 Bonds.

CITY OF SINTON, TEXAS

Mayor

ATTEST:

City Secretary

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

The following information has been provided for informational purposes only.

General

The City, located 31 miles north of the City of Corpus Christi, Texas, is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State and the City’s Home Rule Charter. The City’s Home Rule Charter was last amended at an election held in 2017. The City operates under a Manager-Council form of government with a City Council comprised of the Mayor and four Councilmembers elected for staggered four-year terms. The City provides the following primary services: police protection, emergency medical services, public works, street maintenance, parks, library and utility (water, sewer and garbage) service. The 2010 Census population for the City was 5,665, while the 2020 census population was 5,504. The City covers approximately 2.81 square miles.

Historical Employment in San Patricio County (Average Annual)

| | Average Annual | | | | |
|----------------------|------------------------|---------------------|--------|--------|--------|
| | 2021 ⁽¹⁾⁽²⁾ | 2020 ⁽²⁾ | 2019 | 2018 | 2017 |
| Civilian Labor Force | 29,466 | 29,221 | 29,764 | 30,078 | 30,565 |
| Total Employed | 27,283 | 26,223 | 28,135 | 28,163 | 28,204 |
| Total Unemployed | 2,183 | 2,998 | 1,629 | 1,915 | 2,361 |
| Unemployment Rate | 7.4% | 10.3% | 5.5% | 6.4% | 7.7% |

⁽¹⁾ Data through October.

⁽²⁾ The COVID-19 Pandemic has negatively affected travel, commerce, employment rates and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. See “BONDHOLDERS’ RISKS — Infectious Disease Outbreak.”

Source: Texas Labor Market Information.

Ten Largest Employers in San Patricio County

The seven largest employers in San Patricio County as of December 31, 2020 are set forth in the table below.

| <u>Employer</u> | <u>Product or Service</u> | <u>Employees</u> |
|--------------------------------|----------------------------|------------------|
| Kiewit Offshore Services, Ltd. | Offshore Rig Manufacturing | 2,250 |
| Flint Hill Resources | Petrochemical | 1,000 |
| Gregory Portland ISD | Grocery Store | 729 |
| Gulf Coast Growth Ventures | Government | 670 |
| Steel Dynamics | Retail | 600 |
| San Patricio County | Petrochemical | 541 |
| Oxy | Metal Fabricator | 375 |

Source: San Patricio County’s audited financial statements for fiscal year ending 2020.

Surrounding Economic Activity

The major employers of municipalities surrounding the City are set forth in the table below.

| City of Corpus Christi, TX Approximately 27 Miles from Sinton | | City of Kingsville, TX Approximately 45 Miles from Sinton | | City of Alice, TX Approximately 53 Miles from Sinton | | City of Victoria, TX Approximately 66 Miles from Sinton | |
|--|-----------|--|-----------|---|-----------|--|-----------|
| Employer | Employees | Employer | Employees | Employer | Employees | Employer | Employees |
| Naval Air Station Corpus Christi | 5,525 | NAS Kingsville | 1,500 | Alice ISD | 712 | Formosa Plastics | 3,400 |
| Corpus Christi ISD | 5,178 | Texas A&M Kingsville | 950 | City of Alice | 300 | Victoria ISD | 2,000 |
| Christus Spohn Health System | 5,144 | Celanese | 600 | Community Action Corp of South Texas | 271 | The Inteplast Group | 1,248 |
| HEB | 5,000 | Kingsville ISD | 502 | Jim Wells County | 245 | Citizens Medical Center | 1,220 |
| Corpus Christi Army Depot | 3,541 | Kleberg County | 300 | Christus Spohn Hospital-Alice | 179 | DeTar Healthcare System | 775 |
| City of Corpus Christi | 3,133 | City of Kingsville | 290 | H&S Construction | 172 | City of Victoria | 632 |
| Bay Ltd. | 2,100 | HEB | 272 | Fesco | 148 | Invista | 600 |
| Del Mar College | 1,542 | Walmart | 250 | Merdian Care | 142 | Caterpillar - NAHEX Victoria | 600 |
| Corpus Christi Medical Center | 1,300 | Border Patrol | 246 | Walmart | 139 | Dow Seadrift Operations | 587 |
| First Data | 1,200 | Christus Spohn | 221 | Dixie Iron Works | 113 | Calhoun County ISD | 570 |
| City of San Antonio, TX | | | | | | | |
| Approximately 135 Miles from Sinton | | | | | | | |
| Employer | Employees | | | | | | |
| Joint Base San Antonio (b) | 73,707 | | | | | | |
| HEB | 22,000 | | | | | | |
| USAA | 19,400 | | | | | | |
| Northside ISD | 13,498 | | | | | | |
| City of San Antonio | 11,183 | | | | | | |
| Methodist Health Care | 9,620 | | | | | | |
| North East ISD | 8,386 | | | | | | |
| San Antonio ISD | 7,338 | | | | | | |
| Baptist Health Systems | 6,383 | | | | | | |
| Wells Fargo | 5,152 | | | | | | |
| City of Laredo, TX | | | | | | | |
| Approximately 151 Miles from Sinton | | | | | | | |
| Employer | Employees | | | | | | |
| United ISD | 6,398 | | | | | | |
| Laredo ISD | 4,500 | | | | | | |
| City of Laredo | 2,721 | | | | | | |
| Wal-Mart (4 locations) | 2,125 | | | | | | |
| U.S. CBP - Customs Field Officers | 1,950 | | | | | | |
| Webb County | 1,800 | | | | | | |
| H.E.B. Grocery Stores | 1,764 | | | | | | |
| McDonald's Restaurant | 1,520 | | | | | | |
| Laredo Medical Center | 1,450 | | | | | | |
| Laredo Sector Border Patrol | 1,400 | | | | | | |

Source: For information relating to the Cities of Corpus Christi, Alice, San Antonio, and Laredo, Texas, Municipal Advisory Council of Texas; for information relating to the Cities of Kingsville and Victoria, Texas, the individual City's 2020 CAFR.as

APPENDIX B
FORM OF INDENTURE

(THIS PAGE IS INTENTIONALLY LEFT BLANK.)

INDENTURE OF TRUST

By and Between

THE CITY OF SINTON, TEXAS

and

UMB BANK, N.A.,

as Trustee

DATED AS OF JANUARY 1, 2022

SECURING

**CITY OF SINTON, TEXAS SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2022
(SOMERSET PUBLIC IMPROVEMENT DISTRICT NO. 1)**

TABLE OF CONTENTS

ARTICLE I. DEFINITIONS, FINDINGS, AND INTERPRETATION 3

SECTION 1.01 DEFINITIONS.3

SECTION 1.02 FINDINGS.13

SECTION 1.03 TITLES AND HEADINGS.13

SECTION 1.04 INTERPRETATION.....14

ARTICLE II. PLEDGE OF TRUST ESTATE 14

SECTION 2.01 PLEDGE OF TRUST ESTATE AS SECURITY FOR THE BONDS AND THE REIMBURSEMENT AGREEMENT; LIMITED OBLIGATIONS; PERFECTION OF SECURITY INTEREST.14

SECTION 2.02 AUTHORIZATION FOR INDENTURE.15

SECTION 2.03 CONTRACT WITH OWNERS AND TRUSTEE.15

ARTICLE III. AUTHORIZATION FOR AND GENERAL TERMS AND PROVISIONS REGARDING THE BONDS 15

SECTION 3.01 AUTHORIZATION FOR AND PURPOSE OF THE SERIES 2022 BONDS; USE OF PROCEEDS.15

SECTION 3.02 CHARACTERISTICS OF THE SERIES 2022 BONDS.15

SECTION 3.03 MEDIUM, METHOD AND PLACE OF PAYMENT.16

SECTION 3.04 EXECUTION AND REGISTRATION OF BONDS.17

SECTION 3.05 OWNERSHIP.18

SECTION 3.06 REGISTRATION, TRANSFER AND EXCHANGE.18

SECTION 3.07 CANCELLATION.19

SECTION 3.08 TEMPORARY BONDS.19

SECTION 3.09 REPLACEMENT BONDS.20

SECTION 3.10 BOOK-ENTRY ONLY SYSTEM.21

SECTION 3.11 CONDITIONS PRECEDENT TO ISSUANCE OF SERIES 2022 BONDS.22

ARTICLE IV. REDEMPTION OF BONDS BEFORE STATED MATURITY 23

SECTION 4.01 LIMITATION ON REDEMPTION.23

SECTION 4.02 MANDATORY SINKING FUND REDEMPTION.23

SECTION 4.03 OPTIONAL REDEMPTION.24

SECTION 4.04 EXTRAORDINARY OPTIONAL REDEMPTION.24

SECTION 4.05 PARTIAL REDEMPTION.25

SECTION 4.06 NOTICE OF REDEMPTION TO OWNERS.25

SECTION 4.07 PURCHASE PRICE FOR BONDS.26

SECTION 4.08 PAYMENT UPON REDEMPTION.26

SECTION 4.09 EFFECT OF REDEMPTION.26

ARTICLE V. FORM OF THE SERIES 2022 BONDS 27

SECTION 5.01 FORM GENERALLY.27

SECTION 5.02 CUSIP REGISTRATION.27

SECTION 5.03 LEGAL OPINION.28

ARTICLE VI. FUNDS AND ACCOUNTS..... 28

SECTION 6.01 ESTABLISHMENT OF FUNDS AND ACCOUNTS.28

SECTION 6.02 INITIAL DEPOSITS TO FUNDS AND ACCOUNTS.29

SECTION 6.03 DELIVERY OF ASSESSMENT REVENUES TO THE TRUSTEE; USE.29

SECTION 6.04 PLEDGED REVENUE FUND.30

SECTION 6.05 BOND FUND.31

SECTION 6.06 PROJECT FUND.32

SECTION 6.07 REDEMPTION FUND.33

SECTION 6.08 RESERVE FUND.34

| | | |
|----------------------|---|-----------|
| SECTION 6.09 | EXCESS COLLECTIONS FUND. | 36 |
| SECTION 6.10 | REBATE FUND. | 36 |
| SECTION 6.11 | ADMINISTRATIVE EXPENSE FUND. | 37 |
| SECTION 6.12 | REIMBURSEMENT FUND. | 37 |
| SECTION 6.13 | INVESTMENT OF FUNDS; SECURITY OF UNINVESTED FUNDS. | 37 |
| ARTICLE VII. | COVENANTS, REPRESENTATIONS, AND WARRANTIES | 38 |
| SECTION 7.01 | CONFIRMATION, COLLECTION, ENFORCEMENT, AND NOTICE OF ASSESSMENTS. | 38 |
| SECTION 7.02 | PERFORMANCE UNDER TRUST INDENTURE. | 39 |
| SECTION 7.03 | ADDITIONAL LIENS, ENCUMBRANCES, AND INDEBTEDNESS; ADDITIONAL BONDS AND REFUNDING BONDS..... | 39 |
| SECTION 7.04 | COVENANTS TO MAINTAIN TAX-EXEMPT STATUS. | 42 |
| SECTION 7.05 | FURTHER ASSURANCES; DUE PERFORMANCE..... | 44 |
| ARTICLE VIII. | LIABILITY OF CITY; USE OF OTHER AVAILABLE FUNDS | 45 |
| SECTION 8.01 | LIMITED CITY LIABILITY HEREUNDER..... | 45 |
| SECTION 8.02 | ADVANCES FROM OTHER LAWFULLY AVAILABLE CITY FUNDS. | 46 |
| ARTICLE IX. | THE TRUSTEE | 47 |
| SECTION 9.01 | TRUSTEE AS PAYING AGENT AND REGISTRAR. | 47 |
| SECTION 9.02 | TRUSTEE ENTITLED TO INDEMNITY. | 47 |
| SECTION 9.03 | RESPONSIBILITIES OF THE TRUSTEE..... | 47 |
| SECTION 9.04 | PROPERTY HELD IN TRUST. | 49 |
| SECTION 9.05 | TRUSTEE PROTECTED IN RELYING ON CERTAIN DOCUMENTS. | 49 |
| SECTION 9.06 | COMPENSATION. | 50 |
| SECTION 9.07 | PERMITTED ACTS. | 50 |
| SECTION 9.08 | RESIGNATION OF TRUSTEE. | 50 |
| SECTION 9.09 | REMOVAL OF TRUSTEE. | 50 |
| SECTION 9.10 | SUCCESSOR TRUSTEE. | 51 |
| SECTION 9.11 | TRANSFER OF RIGHTS AND PROPERTY TO SUCCESSOR TRUSTEE. | 52 |
| SECTION 9.12 | MERGER, CONVERSION OR CONSOLIDATION OF TRUSTEE..... | 52 |
| SECTION 9.13 | SECURITY INTEREST IN TRUST ESTATE. | 52 |
| SECTION 9.14 | OFFERING DOCUMENTATION..... | 53 |
| SECTION 9.15 | EXPENDITURE OF FUNDS AND RISK. | 53 |
| SECTION 9.16 | ACCOUNTS, PERIODIC REPORTS AND CERTIFICATES. | 53 |
| SECTION 9.17 | CONSTRUCTION OF INDENTURE. | 53 |
| SECTION 9.18 | NO ISRAEL BOYCOTT..... | 53 |
| SECTION 9.19 | TRUSTEE NOT A DESIGNATED TERRORIST ORGANIZATION. | 54 |
| SECTION 9.20 | VERIFICATION REGARDING ENERGY COMPANY BOYCOTTS. | 54 |
| SECTION 9.21 | VERIFICATION REGARDING DISCRIMINATION AGAINST FIREARM ENTITY OR TRADE ASSOCIATION..... | 55 |
| ARTICLE X. | MODIFICATION OR AMENDMENT OF THIS INDENTURE | 56 |
| SECTION 10.01 | AMENDMENTS PERMITTED. | 56 |
| SECTION 10.02 | OWNERS' MEETINGS. | 57 |
| SECTION 10.03 | PROCEDURE FOR AMENDMENT WITH WRITTEN CONSENT OF OWNERS..... | 57 |
| SECTION 10.04 | EFFECT OF SUPPLEMENTAL INDENTURE. | 57 |
| SECTION 10.05 | ENDORSEMENT OR REPLACEMENT OF BONDS ISSUED AFTER AMENDMENTS. | 58 |
| SECTION 10.06 | AMENDATORY ENDORSEMENT OF BONDS. | 58 |
| SECTION 10.07 | WAIVER OF DEFAULT. | 58 |
| SECTION 10.08 | EXECUTION OF SUPPLEMENTAL INDENTURE. | 58 |
| ARTICLE XI. | DEFAULT AND REMEDIES..... | 59 |
| SECTION 11.01 | EVENTS OF DEFAULT. | 59 |
| SECTION 11.02 | IMMEDIATE REMEDIES FOR DEFAULT. | 59 |

| | | |
|--|---|-----------|
| SECTION 11.03 | RESTRICTION ON OWNER’S ACTION | 60 |
| SECTION 11.04 | APPLICATION OF REVENUES AND OTHER MONEYS AFTER DEFAULT..... | 61 |
| SECTION 11.05 | EFFECT OF WAIVER. | 61 |
| SECTION 11.06 | NO ACCELERATION..... | 62 |
| SECTION 11.07 | MAILING OF NOTICE..... | 62 |
| SECTION 11.08 | EXCLUSION OF BONDS..... | 62 |
| SECTION 11.09 | REMEDIES NOT EXCLUSIVE..... | 62 |
| SECTION 11.10 | DIRECTION BY OWNERS..... | 62 |
| ARTICLE XII. | PAYMENT AND CANCELLATION OF THE BONDS AND SATISFACTION OF THE INDENTURE..... | 62 |
| SECTION 12.01 | TRUST IRREVOCABLE..... | 62 |
| SECTION 12.02 | SATISFACTION OF INDENTURE..... | 63 |
| SECTION 12.03 | BONDS DEEMED PAID..... | 63 |
| ARTICLE XIII. | MISCELLANEOUS | 63 |
| SECTION 13.01 | BENEFITS OF INDENTURE LIMITED TO PARTIES..... | 63 |
| SECTION 13.02 | TRUSTEE CONSENT UNDER COMPLETION AGREEMENT..... | 64 |
| SECTION 13.03 | EVIDENCE OF OWNERSHIP OF BONDS..... | 64 |
| SECTION 13.04 | SUCCESSOR IS DEEMED INCLUDED IN ALL REFERENCES TO PREDECESSOR..... | 64 |
| SECTION 13.05 | EXECUTION OF DOCUMENTS AND PROOF OF OWNERSHIP BY OWNERS..... | 64 |
| SECTION 13.06 | WAIVER OF PERSONAL LIABILITY..... | 65 |
| SECTION 13.07 | NOTICES TO AND DEMANDS ON CITY AND TRUSTEE..... | 65 |
| SECTION 13.08 | PARTIAL INVALIDITY; SEVERABILITY..... | 66 |
| SECTION 13.09 | APPLICABLE LAWS..... | 66 |
| SECTION 13.10 | COUNTERPARTS..... | 66 |
| FORM OF BONDS | EXHIBIT A | |
| FORM OF CITY CERTIFICATE | EXHIBIT B | |
| DTC LETTER OF REPRESENTATIONS..... | EXHIBIT C | |
| WRITTEN PROCEDURES RELATING TO CONTINUING COMPLIANCE WITH FEDERAL TAX COVENANTS | EXHIBIT D | |

INDENTURE OF TRUST

THIS INDENTURE OF TRUST, dated as of January 1, 2022 is by and between the CITY OF SINTON, TEXAS (the *City*), and UMB BANK, N.A., as trustee (together with its successors, the *Trustee*). Capitalized terms used in the preambles, recitals and granting clauses and not otherwise defined shall have the meanings assigned thereto in Article I.

WHEREAS, a petition (the *Petition*) requesting the creation of a public improvement district located in the City to be known as Somerset Public Improvement District No. 1 (the *District*) was signed and submitted by the then-record owners of taxable real property (i) representing more than 50% of the appraised value of taxable real property liable for assessment in the proposed District and (ii) that constituted more than 50% of the area of all taxable real property that was liable for assessment in the proposed District, and filed with the City Secretary of the City (the *City Secretary*) on December 10, 2020, pursuant to the PID Act; and

WHEREAS, on January 19, 2021, after due notice, the City Council of the City (the *Council*) held a public hearing in the manner required by law on the advisability of the improvement projects and services described in the Petition as required by Section 372.009 of the PID Act; and

WHEREAS, at a meeting held on May 18, 2021, the Council made the findings required by Section 372.009(b) of the PID Act and, by Resolution No. 20210518 adopted by a majority of the members of the Council, authorized the creation of the District in accordance with its finding as to the advisability of the improvement projects and services; and

WHEREAS, on June 3, 2021, the City published notice of its authorization of the creation of the District in the *San Patricio News*, a newspaper of general circulation in the City, on which date the District's establishment became effective, pursuant to and in accordance with Section 372.010(b) of the PID Act; and

WHEREAS, no written protests concerning the District's creation were filed with the City Secretary from any owners of record of property within the District within 20 days after June 3, 2021; and

WHEREAS, on December 21, 2021, the Council, by the adoption of an ordinance, made findings and determinations relating to the Actual Costs of certain Authorized Improvements, received and accepted a preliminary service and assessment plan and proposed assessment roll, called a public hearing for January 18, 2021 to consider proposed assessments (the *Assessment Hearing*) and directed City staff to (i) file said proposed assessment roll with the City Secretary and to make it available for public inspection as required by Section 372.016(b) of the PID Act, (ii) publish notice as required by Section 372.016(b) of the PID Act relating to the Assessment Hearing, and (iii) mail notice of the Assessment Hearing to the last known address of the owners of the property liable for the assessments; and

WHEREAS, on January 6, 2022, pursuant to Section 372.016(b) of the PID Act, notice of the Assessment Hearing was published in the *News of San Patricio*, a newspaper of general circulation in the City; and

WHEREAS, the City staff, pursuant to Section 372.016(c) of the PID Act, caused for the mailing of notice of the Assessment Hearing to the last known address of the owners of the property liable for the Assessments; and

WHEREAS, on January 18, 2022, the Council convened the Assessment Hearing and at such hearing, all persons who appeared, or requested to appear, in person or by their attorney, were given the opportunity to make any objection to the proposed assessment roll and the Assessments; and

WHEREAS, at the Assessment Hearing, no written objections or evidence in opposition to the Service and Assessment Plan, the allocation of Actual Costs of Authorized Improvements, the Assessment Roll, or the levy of the Assessments were submitted to the City Secretary; and

WHEREAS, after considering all written and documentary evidence presented at the Assessment Hearing, including all written comments and statements filed with the City Secretary of the City, the Council closed the Assessment Hearing; and

WHEREAS, on January 18, 2021, the City approved and accepted the Service and Assessment Plan in conformity with the requirements of the PID Act and levied the Assessments by adoption of Ordinance No. _____ (hereinafter-defined and referred to as the *Assessment and SAP Ordinance*); and

WHEREAS, the Council is authorized by the PID Act to issue its revenue bonds payable from the Assessments for the purposes described in Section 3.01; and

WHEREAS, in accordance with the PID Act, the Council now desires to issue its revenue bonds entitled "City of Sinton, Texas Special Assessment Revenue Bonds, Series 2022 (Somerset Public Improvement District No. 1)" (the *Series 2022 Bonds*) for the purposes set forth in the preamble of this Indenture, such Series 2022 Bonds being payable solely from the hereinafter-defined Trust Estate; and

WHEREAS, the Trustee agreed to accept the trusts herein created and to serve as Trustee for the benefit of the Owners upon the terms set forth herein; and

NOW, THEREFORE, the City, in consideration of the foregoing premises and acceptance by the Trustee of the trusts herein created, of the purchase and acceptance of the Bonds by the Owners thereof, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, does hereby GRANT, CONVEY, PLEDGE, TRANSFER, ASSIGN, and DELIVER to the Trustee for the benefit of the Owners, a security interest in all of the moneys, rights and properties described in the Granting Clauses hereof, as follows (collectively, the *Trust Estate*):

FIRST GRANTING CLAUSE

The Pledged Revenues and all moneys and investments held in the Pledged Funds and Accounts, including any contract or any evidence of indebtedness related thereto or other rights of the City to receive any of such moneys or investments, whether now existing or hereafter coming into existence, and whether now or hereafter acquired; and

SECOND GRANTING CLAUSE

Any and all other property or money of every name and nature which is, from time-to-time hereafter by delivery or by writing of any kind, conveyed, pledged, assigned or transferred to the Trustee as additional security hereunder by the City or by anyone on its behalf or with its written consent, and the Trustee is hereby authorized to receive any and all such property or money at any and all times and to hold and apply the same subject to the terms thereof; and

THIRD GRANTING CLAUSE

Any and all proceeds and products of the foregoing property described in the above granting clauses;

TO HAVE AND TO HOLD the Trust Estate, whether now owned or hereafter acquired, unto the Trustee and its successors or assigns;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and ratable benefit of all present and future Owners of the Bonds from time to time issued under and secured by this Indenture, and for enforcement of the payment of the Bonds in accordance with their terms, and for the performance of and compliance with the obligations, covenants, and conditions of this Indenture;

PROVIDED, HOWEVER, if and to the extent that Assessments have been prepaid, the lien on the real property associated with such Prepayment shall be released, and the rights of the Trustee and Owners under this Indenture to proceed against the City for the purpose of protecting and enforcing the rights of the Owners with respect to such released real property shall terminate;

FURTHER PROVIDED, HOWEVER, if the City or its assigns shall well and truly pay, or cause to be paid, the principal or redemption price of and the interest on all the Bonds at the times and in the manner stated in the Bonds, according to the true intent and meaning thereof, then this Indenture and the rights hereby granted shall cease, terminate, and be void; otherwise, this Indenture is to be and remain in full force and effect; and

IN ADDITION, the Bonds are special and limited obligations of the City payable solely from the Trust Estate, as and to the extent provided in this Indenture. The Bonds do not give rise to a charge against the general credit or taxing powers of the City and are not payable except as provided in this Indenture. Notwithstanding anything to the contrary herein, the Owners shall never have the right to demand payment thereof out of any funds of the City other than the Trust Estate. The City shall have no legal or moral obligation to pay for the Bonds out of any funds of the City other than the Trust Estate.

THIS INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated, and delivered and the Trust Estate hereby created, assigned, and pledged is to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses, and purposes as hereinafter expressed, and the City agreed and covenanted, and does hereby agree and covenant, with the Trustee and with the respective Owners from time to time of the Bonds as follows:

ARTICLE I. DEFINITIONS, FINDINGS, AND INTERPRETATION

Section 1.01 Definitions.

In addition to those terms defined elsewhere in this Indenture, and unless expressly provided or the context clearly requires otherwise, the following terms used in this Indenture shall have the meanings specified below:

Account means any of the accounts established pursuant to Section 6.01(a) hereof.

Actual Costs means those issuance costs related to a series of Bonds, District formation costs, and with respect to an Authorized Improvement, the demonstrated, reasonable, allocable, and allowable costs of constructing such Authorized Improvement. Actual Cost may include (a) the costs for the design, planning, financing, administration, management, acquisition, installation, construction and/or implementation of such Authorized Improvement, including general contractor and construction management fees, if any, (b) the costs of preparing the construction plans for such Authorized Improvement, (c) the fees paid for obtaining permits, licenses or other governmental approvals for such Authorized Improvement, (d) the costs for external professional costs associated with such Authorized Improvement, such as engineering, geotechnical, surveying, land planning, architectural landscapers, advertising, marketing and research studies, appraisals, legal, accounting and similar professional services, and taxes (property and franchise), (e) the costs of all labor, bonds and materials, including equipment and fixtures, incurred by contractors, builders and material men in connection with the acquisition, construction or implementation of the Authorized Improvements, (f) all related permitting, zoning and public approval expenses, architectural, engineering, legal, and consulting fees, financing charges, taxes, governmental fees and charges (including inspection fees, permit fees, development fees), insurance premiums and miscellaneous expenses. Actual Costs may include general contractor's fees in an amount up to a percentage equal to the percentage of work completed and accepted by the City or construction management fees in an amount up to five percent of the eligible Actual Costs described in a Certification for Payment. The amounts expended on legal costs, taxes, governmental fees, insurance premiums, permits, financing costs, and appraisals shall be excluded from the base upon which the general contractor and construction management fees are calculated.

Additional Bonds means City bonds issued by Supplemental Indenture to finance or refinance the Actual Costs of Authorized Improvements by use of the proceeds therefrom to pay (i) all or part of the Reimbursement Obligation, (ii) certain administrative expenses, and/or (iii) Actual Costs of Authorized Improvements remaining to be advanced by the Developer pursuant to the Completion Agreement (and which costs constitute a portion of the Reimbursement Obligation reimbursable to the Developer under the Reimbursement Agreement).

Additional Interest means the additional interest, calculated at the Additional Interest Rate, charged and collected on the Assessments as permitted by, and pursuant to, Section 372.018 of the PID Act.

Additional Interest Rate means 0.50%.

Additional Obligations means any bonds or obligations, including specifically, any installment contracts, reimbursement agreements, temporary note or time warrant secured in whole or in part by an assessment, other than the Assessments securing the Bonds and the Reimbursement Obligation levied against property within the District in accordance with the PID Act.

Administrative Expense Fund means the Fund of such name established and administered by Section 6.01(a) and Section 6.11, respectively.

Administrative Expenses means the administrative, organization, maintenance and operation costs associated with, or incident to, the administration, organization, maintenance and operation of the District, including, but not limited to, the costs of: (i) creating and organizing the District, including conducting hearings, preparing notices and petitions, and all costs incident thereto, including engineering fees, legal fees and consultant fees, (ii) the annual administrative, organization, maintenance, and operation costs and expenses associated with, or incident and allocable to, the administration,

organization, maintenance, and operation of the District and the Authorized Improvements, (iii) computing, levying, billing and collecting Assessments or the Annual Installments thereof, (iv) maintaining the record of installments of the Assessments and the system of registration and transfer of the Bonds, (v) issuing, paying and redeeming the Bonds, (vi) investing or depositing of monies, (vii) complying with the PID Act and other laws applicable to the Bonds, (viii) reasonable fees and expenses of the Trustee, Dissemination Agent, and Paying Agent/Registrar relating to the Bonds, (ix) legal counsel, engineers, accountants, financial advisors, investment bankers or other consultants and advisors, and (x) administering the construction of the Authorized Improvements. Administrative Expenses do not include payment of the actual principal of, Redemption Price of, and interest on the Bonds or any costs of issuance associated with the Bonds.

Administrator means the City or the person or independent firm designated by the City who shall have the responsibility provided in the Service and Assessment Plan, the Indenture, or any other agreement or document approved by the City related to the duties and responsibility of the administration of the District, initially being MuniCap, Inc.

Annual Assessment Revenues Deposit has the meaning ascribed thereto in Section 6.03(a).

Annual Debt Service means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled (including by reason of Sinking Fund Installments), and (ii) the principal amount of the Outstanding Bonds due in such Bond Year (including any Sinking Fund Installments due in such Bond Year).

Annual Installment means, with respect to the Assessed Property, the annual installment payments of an Assessment calculated by the Administrator and approved by the Council, including: (i) principal of the Bonds; (ii) interest on the Bonds; (iii) Administrative Expenses; (iv) Additional Interest; and (v) the Reimbursement Obligation.

Annual Service Plan Update means the annual review and update of the Service and Assessment Plan required by the PID Act and the Service and Assessment Plan.

Applicable Laws means the PID Act, and all other laws or statutes, rules, or regulations, and any amendments thereto, of the State or of the United States, by which the City and its powers, securities, operations, and procedures are, or may be, governed or from which its powers may be derived.

Assessed Property means for any year, any Parcel within the District against which an Assessment is levied, other than Non-Benefited Property.

Assessment and SAP Ordinance means Ordinance No. _____ adopted by the Council on _____, 2022, that levied the Assessments on the Assessed Property and pursuant to which the City adopted the Service and Assessment Plan.

Assessment Revenue means money collected by or on behalf of the City from any one or more of the following: (i) an Assessment levied against an Assessed Property, or Annual Installment payment thereof (including any interest on such Assessment or Annual Installment thereof during any period of delinquency), (ii) a Prepayment, (iii) Delinquent Collection Costs, and (iv) Foreclosure Proceeds.

Assessment Roll means the Assessment Roll for the Assessed Property included in the Service and Assessment Plan as Exhibit G thereto or any other Assessment Roll in an amendment or supplement to

the Service and Assessment Plan or in an Annual Service Plan Update showing the total amount of the Assessments, as updated, modified or amended from time to time in accordance with the procedures set forth in the Service and Assessment Plan and in the PID Act (including updates prepared in connection with the issuance of Additional Bonds or in connection with any Annual Service Plan Update).

Assessments means, (i) singularly, the assessment levied against an Assessed Property (as shown on the Assessment Roll), subject to reallocation upon the subdivision of an Assessed Property or reduction according to the provisions of the Service and Assessment Plan and the PID Act and (ii) plurally, the aggregate assessments shown on the Assessment Roll.

Attorney General means the Attorney General of the State of Texas.

Authorized Denomination means the dollar denomination in which Bonds from time to time are issued and outstanding, as specified herein with respect to the Series 2022 Bonds or in a Supplemental Indenture with respect to any other Series of Bonds. Authorized Denominations of Series 2022 Bonds means \$100,000 and any integral multiple of \$1,000 in excess thereof, or such smaller amount authorized by Section 4.05(c); provided, however, that upon receipt by Trustee, as Paying Agent/Registrar (or the Paying Agent/Registrar, if not also the Trustee), of written evidence that the Series 2022 Bonds have received an Investment Grade Rating pursuant to Section 3.02(e), Authorized Denomination for the Series 2022 Bonds shall mean \$5,000 or any integral multiple thereof, notwithstanding any subsequent downgrade, suspension or withdrawal of such rating.

Authorized Improvements means the public improvements described in Appendix B of the Service and Assessment Plan and Section 372.003 of the PID Act, constructed and installed in accordance with the Service and Assessment Plan and any future updates and/or amendments.

Authorized Investments means (i) time deposits or certificates of deposit, secured in the manner required by State law for public funds, (ii) direct obligations of (including obligations the principal and interest on which are unconditionally guaranteed by) the United States of America, (iii) obligations of any agencies or instrumentalities of the United States of America, or (iv) such other investments as are permitted under the Public Funds Investment Act codified as Chapter 2256, as amended, Texas Government Code or any successor law thereto, as in effect from time to time.

Bond Counsel means McCall, Parkhurst & Horton L.L.P. or any other attorney or firm of attorneys designated by the City that are nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

Bond Date means the date designated as the initial date of the Series 2022 Bonds by Section 3.02(a) hereof.

Bond Fund means the Fund of such name established and administered pursuant to Section 6.01 and Section 6.05, respectively.

Bond Ordinance means Ordinance No. _____ adopted by the Council on January 18, 2022 authorizing the issuance of the Series 2022 Bonds pursuant to this Indenture.

Bond Year means the one-year period beginning on September 1 in each year and ending on August 31 in the following year.

Bond or Bonds means all bonds or any bond of the City authorized by order of the Council pursuant and issued in accordance with this Indenture, including the Series 2022 Bonds, the Additional Bonds, any Refunding Bonds, and any evidences of indebtedness issued in exchange or replacement of any of the foregoing, as permitted by this Indenture.

Business Day means any day other than a Saturday, Sunday, legal holiday, or day on which banking institutions in the City where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are required or authorized by law or executive order to close.

Capitalized Interest Account means the Account of such name of the Bond Fund established and administered pursuant to Section 6.01(a) and Section 6.05(e), respectively.

Certification for Payment means a certification for payment substantially in the form attached to the Financing Agreement as Exhibit D, executed by the Developer, submitted to the City and approved by the City Representative, and delivered to the Trustee, specifying the amount of work performed in pursuit of completion or acquisition of Authorized Improvements and the Actual Costs thereof, and requesting payment for such Actual Costs from money on deposit in the Project Fund's Projects Account, all as further described in Section 6.06 and the provisions of the Financing Agreement incorporated by reference herein under Section 6.06(c).

Chapter 9 means Chapter 9, as amended, Texas Business and Commerce Code.

Chapter 1208 means Chapter 1208, as amended, Texas Government Code.

Closing Date means the date of the initial delivery of and payment for the applicable Series of Bonds (being, with respect to the Series 2022 Bonds, February __, 2022).

Code means the Internal Revenue Code of 1986, as amended, including applicable regulations, published rulings, and Council decisions.

Completion Agreement means that certain "Completion Agreement", dated as of January 1, 2022, by and among the City, the Developer, and the Trustee and pursuant to which the Developer has agreed to initially fund, from its private sources, certain of the Actual Costs of Authorized Improvements.

Comptroller means the Comptroller of Public Accounts of the State of Texas.

Continuing Disclosure Agreement or Continuing Disclosure Agreements means either or both of the Continuing Disclosure Agreements entered into, with respect to the Series 2022 Bonds, (i) by and between the City, the Administrator, and the Dissemination Agent and (ii) by and among the Developer, the Administrator, and the Dissemination Agent.

Costs of Issuance Account means the Account of such name of the Project Fund established and administered pursuant to Section 6.01(a) and Section 6.06(d), respectively.

City means the City of Sinton, Texas.

City Certificate means a certificate, in the form attached hereto as Exhibit B, signed by the City Representative and delivered to the Trustee certifying that the Trustee is authorized to take the action therein specified.

City Engineer means the civil engineer or firm of civil engineers from time to time selected by the City to perform the duties set forth herein and (as applicable, if at all) the Financing Agreement, the Development Agreement, the Completion Agreement, and the Reimbursement Agreement.

City Representative means the City Manager of the City and/or any official or agent of the City authorized by the Council to undertake the action referenced herein.

Council shall have the meaning ascribed to such term in the recitals hereof.

Defeasance Securities means (i) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by, the United States of America; (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, or (iv) any additional securities and obligations hereafter authorized by the laws of the State as eligible for use to accomplish the discharge of obligations such as the Bonds.

Delinquency and Prepayment Reserve Account means the Account of such name of the Reserve Fund established and administered pursuant to Section 6.01(a) and Section 6.08, respectively.

Delinquency and Prepayment Reserve Requirement means, initially, an amount equal to 5.5% of the principal amount of the Outstanding Bonds.

Delinquent Collection Costs means interest, penalties, and expenses incurred or imposed with respect to any delinquent Assessment or Annual Installment in accordance with the PID Act and the costs related to pursuing collection of a delinquent Assessment or Annual Installment and foreclosing the lien against the Assessed Property, including attorney's fees.

Designated Payment/Transfer Office means (i) with respect to the initial Paying Agent/Registrar named in this Indenture, the transfer/payment office located in Austin, Texas, or such other location designated by the Paying Agent/Registrar and (ii) with respect to any successor Paying Agent/Registrar, the office of such successor designated and located as may be agreed upon by the City and such successor.

Designated Successors and Assigns has the meaning ascribed thereto in the Financing Agreement.

Developer means Somerset Land Company, LLC, a Texas limited liability company.

Developer's Financial Commitment means the Developer's commitment under the Completion Agreement to pay from its own resources certain of the Actual Costs of Authorized Improvements.

Development Agreement means that certain "Amended and Restated Development Agreement", dated as of January 18, 2022, by and among the City and the Developer, as the assignee of the original parties to the Development Agreement.

Dissemination Agent means UMB Bank, N.A., Austin, Texas, a national banking association duly organized and existing under the laws of the United States, acting solely in its capacity as dissemination agent, or any successor Dissemination Agent designated in writing by the City and which has filed with the Trustee a written acceptance of such designation.

District shall have the meaning set forth in the first recital.

DTC means The Depository Trust Company of New York, New York, or any successor securities depository.

DTC Participant means brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

Event of Default shall have the meaning, with respect to this Indenture, set forth in Section 11.01.

Excess Collections Fund means the Fund of such name established and administered pursuant to Section 6.01(a) and Section 6.09, respectively.

Financing Agreement means the “Somerset Public Improvement District No. 1 Financing Agreement”, dated as of January 1, 2022, by and among the City and the Developer, which provides, in part, for the deposit and use of Series 2022 Bonds proceeds, payment of Actual Costs of Authorized Improvements, the issuance of Additional Bonds, the reimbursement of the Reimbursement Obligation, and other matters related to the foregoing.

Foreclosure Proceeds means the proceeds, including interest and penalty interest (but excluding and net of all Delinquent Collection Costs), received by the City from the enforcement of the lien securing the levy of Assessments against any Assessed Property or Assessed Properties, whether by foreclosure of lien or otherwise, pursuant to Section 7.01(c).

Fund means any of the funds established pursuant to Section 6.01(a).

Indenture means this Indenture of Trust, dated as of January 1, 2022, by and between the City and the Trustee and pursuant to which the Series 2022 Bonds, as originally executed or as it may be from time to time supplemented or amended by one or more indentures supplemental hereto and entered into pursuant to the applicable provisions hereof.

Independent Financial Consultant means any consultant or firm of consultants appointed by the City who, or each of whom: (i) is determined by the City to have experience in matters relating to the issuance and/or administration of the Bonds; (ii) is in fact independent and not under the dominion and control of the City; (iii) does not have any substantial interest, direct or indirect, with or in the City, or any owner of real property in the District, or any real property in the District; and (iv) is not connected with the City as an officer or employee of the City or related by consanguinity or affinity to any such officer or employee, but who may be regularly retained to make reports to the City.

Initial Bond means the Initial Series 2022 Bond and, with respect to any other Series of Bonds, the initial bond set forth in the applicable Supplemental Indenture pursuant to which such other Series of Bonds are issued.

Initial Series 2022 Bond means the initial bond set forth in Exhibit A hereto, representing the Series 2022 Bonds.

Interest Payment Date means the date or dates upon which interest on the Bonds is scheduled to be paid until their respective dates of stated maturity or prior redemption, such dates being March 1 and September 1 of each year, commencing (with respect to the Series 2022 Bonds) on September 1, 2022.

Investment Grade Rating means a rating assigned by a Rating Agency in one of such Rating Agency's four highest categories for long-term debt instruments (without regard for gradation within a rating category and without regard for credit enhancement) or otherwise designated as "investment grade" by a Rating Agency.

Investment Securities means those authorized investments described in the Public Funds Investment Act, Texas Government Code, Chapter 2256, as amended, and that, at the time purchased, are included in and authorized by the City's official investment policy (as approved from time to time by the Council).

Irregular Assessment Revenues Deposit has the meaning ascribed thereto in Section 6.03(a).

Majority Interest means, as of any particular date of calculation, the Owners of no less than fifty-one percent (51%) of the principal amount of the then Outstanding Bonds.

Maximum Annual Debt Service means, as of the date of calculation, the maximum Annual Debt Service for any Bond Year through the final maturity date of any Outstanding Bonds.

Non-Benefited Property means Parcels within the boundaries of the District that accrue no special benefit from the Authorized Improvements.

Outstanding means, as of any particular date when used with reference to Bonds, all Bonds authenticated and delivered under this Indenture, except (i) any Bond that has been canceled by the Trustee (or has been delivered to the Trustee for cancellation) at or before such date, (ii) any Bond for which the payment of the principal or Redemption Price of and interest on such Bond shall have been made as provided in Article IV hereof, and (iii) any Bond in lieu of or in substitution for which a new Bond shall have been authenticated and delivered pursuant to Section 3.09.

Owner means the Person who is the registered owner of a Bond or Bonds, as shown in the Register, which shall be Cede & Co., as nominee for DTC, so long as the Bonds are in book-entry only form and held by DTC as securities depository in accordance with Section 3.10.

Parcel means a property identified by either a tax map identification number assigned by the San Patricio County Appraisal District for real property tax purposes, by metes and bounds description, by lot and block number in a final subdivision plat recorded with the Clerk in the San Patricio County's official public records, or by any other means determined by the City.

Paying Agent/Registrar means the Trustee, as the initial paying agent and registrar of the Series 2022 Bonds, and any successor thereto (as herein provided).

Person or Persons means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

PID Act means Subchapter A of Chapter 372, as amended, Texas Local Government Code.

Pledged Funds and Accounts means the Pledged Revenue Fund, the Bond Fund, the Project Fund, the Reserve Fund, the Redemption Fund, and the Excess Collections Fund, along with the Accounts therein created, held, and maintained, being Funds and Accounts pledged to secure the repayment of the Bonds, as well as each additional fund and account pledged to the repayment of any Additional Bonds or Refunding Bonds, but specifically excluding the Rebate Fund, the Administrative Expense Fund, and the Reimbursement Fund.

Pledged Revenue Fund means the Fund of such name established and administered pursuant to Section 6.01(a) and Section 6.04, respectively.

Pledged Revenues means Assessment Revenues that remain after subtracting Administrative Expenses, and Delinquent Collection Costs, plus earnings on investments of funds from time to time held in any of the Pledged Funds and Accounts, plus any additional revenues that the City may (after the date hereof and from time to time) pledge to the payment of Bonds.

Prepayment means, before the due date thereof, payment of all or a portion of an Assessment, plus accrued but unpaid interest to the date of prepayment, less any amounts (received at the time of such prepayment) that represent a payment of principal, interest or penalties on a delinquent installment of an Assessment (which other amounts are to be treated as the payment of the regularly scheduled Assessment).

Principal and Interest Account means the Account of such name of the Bond Fund established and administered pursuant to Section 6.01(a) and Section 6.05, respectively.

Project Fund means the Fund of such name established and administered pursuant to Section 6.01(a) and Section 6.06, respectively.

Projects Account means the Account of such name established and administered pursuant to Section 6.01(a) and Section 6.06(a), respectively.

Purchaser means, with respect to a Series of Bonds, the initial underwriter of such Bonds and, with respect to the Series 2022 Bonds, FMSbonds, Inc.

Rating Agency means each of Moody's Investors Service, Inc., S&P Global Ratings, Fitch Ratings Inc., and any other nationally recognized statistical rating organization recognized as such by the SEC.

Rebate Amount has the meaning ascribed to such term in section 1.148-1(b) of the Regulations.

Rebate Fund means the Fund of such name established and administered pursuant to Section 6.01(a) and Section 6.10, respectively.

Record Date means the close of business on the fifteenth (15th) calendar day (whether or not a Business Day) of the month next preceding an Interest Payment Date.

Redemption Fund means the Fund of such name established and administered pursuant to Section 6.01(a) and Section 6.07, respectively.

Redemption Price means 100% of the principal amount of all or a portion of Bonds to be redeemed, plus accrued but unpaid interest to the date of redemption.

Refunding Bonds means City bonds issued, by Supplemental Indenture pursuant to Section 3.06 hereof, to refund any Series 2022 Bonds, Additional Bonds, or then-Outstanding Bonds previously issued to refund any Series 2022 Bonds or Additional Bonds, which refunding bonds are secured by a lien on and pledge of the Trust Estate on parity with the lien thereon and pledge thereof securing the repayment of other then-Outstanding Bonds.

Register means the books and records maintained by the Paying Agent/Registration for documentation of the registration, payment, and transfer of Bonds of a particular Series.

Regulations means the regulations of the United States Department of the Treasury.

Reimbursement Agreement means that certain Somerset Public Improvement District No. 1 Reimbursement Agreement, dated as of January 1, 2022, entered into between the City and the Developer and providing for the Reimbursement Obligation to be paid to the Developer from Assessments.

Reimbursement Fund means the Fund of such name established and administered pursuant to Section 6.01(a) and Section 6.12, respectively

Reimbursement Obligation means, of the Developer's Financial Commitment, an amount equal to \$_____, plus interest accruing thereon at the rate of ____% through _____, 20__ and ____% thereafter (calculated on the basis of a 360-day year of twelve 30-day months) from the date an applicable invoice is paid by the Developer, that the City has, under the Reimbursement Agreement, agreed to reimburse the Developer from Assessment Revenues that remain after payment of Annual Debt Service on the Bonds and making all deposits to the Pledged Funds and Accounts hereunder required.

Reserve Account means the Account of such name of the Reserve Fund established and administered pursuant to Section 6.01(a) and Section 6.08, respectively.

Reserve Account Requirement means the least of (calculated from time to time as permitted hereunder and as of the Closing Date for any Series of Bonds then Outstanding): (i) Maximum Annual Debt Service on the Bonds; (ii) 125% of average Annual Debt Service on the Bonds, or (iii) 10% of the par amount of the Bonds.

Reserve Fund means the Fund of such name established and administered pursuant to Section 6.01(a) and Section 6.08, respectively.

SEC means the United States Securities and Exchange Commission.

Series means any designated series of Bonds issued under this Indenture or any Supplemental Indenture.

Series 2022 Bonds means that Series of Bonds styled "City of Sinton, Texas Special Assessment Revenue Bonds, Series 2022 (Somerset Public Improvement District No. 1).

Service and Assessment Plan means the Service and Assessment Plan approved by the Council pursuant to the Assessment and SAP Ordinance, as hereafter amended, updated, and/or restated pursuant to its terms, the current version of which is attached as Exhibit A to the Assessment and SAP Ordinance.

Sinking Fund Installment means the amount of money to redeem or pay at maturity the principal of Term Series 2022 Bonds payable from such installments, at the times and in the amounts provided in Section 4.02 hereof.

State means the State of Texas.

Stated Maturity means the date the Bonds or any portion thereof are scheduled to mature (without regard to early redemption or prepayment).

Supplemental Indenture means an indenture of trust that has been duly executed by the Trustee and the City, acting pursuant to an order adopted by the Council, entered into pursuant to Section 10.01 hereof that acts to amend or supplement this Indenture or pursuant to which a Series of Bonds (other than the Series 2022 Bonds) is issued.

Tax Certificate means the Certificate as to Tax Exemption delivered by the City on the Series 2022 Bonds' Closing Date setting forth the facts, estimates and circumstances in existence as of such date and establishing that it is not expected that the proceeds of the Series 2022 Bonds will be used in a manner that would cause the interest thereon to be included in the gross income of the Owners thereof for federal income tax purposes.

Trust Estate means the Trust Estate described in the granting clauses of this Indenture.

Trustee means UMB Bank, N.A., Austin, Texas, a national banking association duly organized and validly existing under the laws of the United States of America, acting solely in its capacity as trustee hereunder, and its successors, and any other corporation or association that may at any time be substituted in its place, as provided in Article IX hereof.

Section 1.02 Findings.

The declarations, determinations and findings declared, made and found in the preamble to this Indenture are hereby adopted, restated and made a part of the operative provisions hereof.

Section 1.03 Titles and Headings.

The table of contents, titles, and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof and shall never be considered or given any effect in construing this Indenture or any provision hereof or in ascertaining intent, if any question of intent should arise.

Section 1.04 Interpretation.

(a) Unless the context requires otherwise, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to include correlative words of the plural number and vice versa.

(b) Words importing persons include any legal person, including any individual, corporation, limited liability company, partnership, joint venture, association, joint stock company, trust, unincorporated organization and government or agency or political subdivision thereof.

(c) Any reference to a particular Article or Section shall be to such Article or Section of this Indenture unless the context shall require otherwise.

(d) This Indenture and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein to sustain the validity of this Indenture.

ARTICLE II. PLEDGE OF TRUST ESTATE

Section 2.01 Pledge of Trust Estate as Security for the Bonds and the Reimbursement Agreement; Limited Obligations; Perfection of Security Interest.

(a) The Bonds, as to both principal and interest, are and shall be equally and ratably secured by and payable from a first and prior lien on and pledge of the Trust Estate.

(b) The Bonds are special and limited obligations of the City, payable solely from and secured solely by the Trust Estate (which includes and is primarily comprised of the Pledged Revenues and the Pledged Funds and Accounts). Payment of the Bonds shall ever be payable out of funds raised or to be raised by taxation or from any other revenues, properties or income of the City.

(c) Other than through the issuance of Additional Bonds and Refunding Bonds, the City will not create or voluntarily permit to be created any debt, lien or charge on any portion of the Trust Estate and will not cause or allow any matter or things whereby the liens of this Indenture or the priority hereof might or could be lost or impaired. The City further covenants that it will pay or cause to be paid or will make adequate provisions for the satisfaction and discharge of all lawful claims and demands, which (if unpaid) might by law be given precedence over or any equality with this Indenture as a lien or charge upon the Trust Estate; provided, however, that nothing in this Section shall require the City to apply, discharge, or make provision for any such lien, charge, claim, or demand so long as the validity thereof shall be contested by it in good faith, unless thereby, in the opinion of Bond Counsel or counsel to the Trustee, the same would endanger the lien on and pledge of the Trust Estate that secures the repayment of the Bonds.

(d) Pursuant to Chapter 1208, which applies to the issuance of the Bonds and the pledge of the Trust Estate hereunder granted by the City, the liens on and pledges of the Trust Estate hereunder made shall be valid and binding and fully perfected from and after the Closing Date for the applicable Series of Bonds each issued under this Indenture, without physical delivery or transfer of control of the Trust Estate, the filing of this Indenture, or any other act, and such pledges are, therefore, valid, effective, and perfected. If State law is amended at any time while the Bonds are Outstanding such that the pledge of the Trust Estate hereunder granted by the City is to be subject to the filing requirements of Chapter 9, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in

said pledge, the City agrees to take such measures as it determines are reasonable and necessary under State law to comply with the applicable provisions of Chapter 9 and enable a filing to perfect the security interest in said pledge to occur.

Section 2.02 Authorization for Indenture.

The terms and provisions of this Indenture and the execution and delivery hereof by the City to the Trustee have been duly authorized by official action of the Council. The City has ascertained and it is hereby determined and declared:

(a) that the execution and delivery of this Indenture is necessary to carry out and effectuate the purposes set forth in the preambles hereof;

(b) that each and every covenant or agreement herein contained and made is necessary, useful, or convenient in order to better secure the Bonds; and

(c) that this Indenture is a contract or agreement necessary, useful and convenient to carry out and effectuate the purposes herein described.

Section 2.03 Contract with Owners and Trustee.

(a) The purposes of this Indenture are to establish a lien and the security for, and to prescribe the minimum standards for the authorization, issuance, execution and delivery of, the Bonds and to prescribe the rights of the Owners, and the respective rights and duties of the City and the Trustee, relative thereto.

(b) In consideration of the purchase and acceptance of any or all of the Bonds by those who shall purchase and hold the same from time to time, the provisions of this Indenture shall be a part of the contract of the City with the Owners, and shall be deemed to be and shall constitute a contract among the City, the Owners, and the Trustee.

ARTICLE III. AUTHORIZATION FOR AND GENERAL TERMS AND PROVISIONS REGARDING THE BONDS

Section 3.01 Authorization for and Purpose of the Series 2022 Bonds; Use of Proceeds.

The Series 2022 Bonds are hereby authorized to be issued and delivered in accordance with the Constitution and general laws of the State, including particularly the PID Act. The Series 2022 Bonds shall be issued in the aggregate principal amount of \$_____, the proceeds from which shall be used for the purposes of (i) paying a portion of the Actual Costs of Authorized Improvements, (ii) paying interest on the Series 2022 Bonds during and after the period of acquisition and construction of the Authorized Improvements, (iii) funding the Reserve Account Requirement attributable to the Series 2022 Bonds, (iv) paying a portion of the costs incidental to the organization and administration of the District, and (v) paying the costs of issuance of the Series 2022 Bonds.

Section 3.02 Characteristics of the Series 2022 Bonds.

(a) The Series 2022 Bonds shall be dated January 1, 2022 (the *Bond Date*) shall be issued in Authorized Denominations and in fully registered form, without coupons. The Initial Series 2022 Bond shall be numbered T-1; the definitive Series 2022 Bonds shall be numbered separately from R-1 upward.

In addition to the foregoing, the Series 2022 Bonds shall have the characteristics specified in the Form of Bonds attached hereto as Exhibit A.

(b) Interest on the Series 2022 Bonds shall be paid on each Interest Payment Date and accrue at the rate per annum set forth below, calculated on the basis of a 360-day year of twelve 30-day months, from the later of their Closing Date or the most recent Interest Payment Date to which interest has been paid or provided for and shall continue until the principal thereof has been paid on the maturity date specified below or otherwise provided for.

(c) The Series 2022 Bonds shall mature on September 1 in the years and in the principal amounts and shall bear interest as set forth below:

| <u>Year</u> | <u>Principal Installment (\$)</u> | <u>Interest Rate (%)</u> |
|-------------|---------------------------------------|------------------------------|
|-------------|---------------------------------------|------------------------------|

(d) The Series 2022 Bonds shall be subject to mandatory sinking fund redemption, optional redemption, and extraordinary optional redemption prior to maturity as provided in Article IV hereof.

(e) The Series 2022 Bonds are initially issued without a rating from any Rating Agency. Upon receipt of an Investment Grade Rating on the Series 2022 Bonds, if at all, the City shall promptly notify the Dissemination Agent in writing of such rating action and provide written directive to (i) file a notice of such occurrence with the Municipal Securities Rulemaking Board and (ii) within one of day of its receipt of the same, forward such notice to the Trustee and the Paying Agent/Registrar (if not also the Trustee). The City shall cause any such to be filed within 10 Business Days of the City's receipt of notice of its occurrence.

Section 3.03 Medium, Method and Place of Payment.

(a) Principal of and interest on the Bonds shall be paid in lawful money of the United States of America, as provided in this Section.

(b) Interest on the Bonds shall be payable to the Owners thereof as shown in the Register at the close of business on the Record Date; provided, however, that in the event of nonpayment of interest on a scheduled Interest Payment Date, which nonpayment continues for 30 days or more thereafter, a new record date for such interest payment (a *Special Record Date*) will be established by the Trustee, if and when funds for the payment of such interest have been received from the City. Notice of a Special Record Date and of the scheduled payment date of the past due interest, which shall be 15 days after the Special Record Date (the *Special Payment Date*), shall be sent at least five Business Days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Owner of Bonds appearing on the Register at the close of business on the last Business Day preceding the date of mailing such notice.

(c) Interest on the Bonds shall be paid by check, dated as of the Interest Payment Date, and sent, first class United States mail, postage prepaid, by the Paying Agent/Registrar to each Owner at the address of each as such appears in the Register or by such other customary banking arrangement

acceptable to the Paying Agent/Registrar and the Owner; provided, however, the Owner shall bear all risk and expense of such other banking arrangement.

(d) The principal of each Bond shall be paid to the Owner of such Bond on the due date thereof, whether at Stated Maturity or a of prior redemption date, upon presentation and surrender of such Bond at the Designated Payment/Transfer Office of the Paying Agent/Registrar.

(e) In any case where the date of the maturity of interest on or principal of the Bonds, the date fixed for redemption of any Bonds, or the date any action is to be taken pursuant to the terms hereof is not a Business Day, the payment of interest or principal or the applicable action need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date required and no interest shall accrue for the period from and after such original due date.

(f) Unclaimed payments of amounts due hereunder shall be segregated in a special account and held, uninvested and in trust, by the Trustee for the account of the Owner of the Bonds to which such unclaimed payments pertain. Subject to any escheat, abandoned property, or similar law of the State, any such payments remaining unclaimed by the Owners entitled thereto for three years after the applicable payment or redemption date shall be applied to the next payment or payments on such Bonds thereafter coming due and, to the extent any such money remains after the retirement of all Outstanding Bonds, shall be paid to the City to be thereby used for any lawful purpose. Thereafter, none of the City, the Trustee, or any other Person shall be liable or responsible to any holders of such Bonds for any further payment of such unclaimed money or on account of any such Bonds, subject to any applicable escheat law or similar law of the State (including the provisions of Title 6, as amended, Texas Property Code).

Section 3.04 Execution and Registration of Bonds.

(a) The Bonds shall be executed on behalf of the City by the Mayor and the City Secretary, by their manual, electronic, or facsimile signatures, and the official seal of the City shall be impressed or placed in facsimile thereon. Such facsimile or electronic signatures on the Bonds shall have the same effect as if each of the Bonds had been signed manually and in person by each of said officers, and such facsimile seal on the Bonds shall have the same effect as if the official seal of the City had been manually impressed upon each of the Bonds.

(b) In the event that any officer of the City whose manual or facsimile signature appears on the Bonds ceases to be such officer before the authentication of such Bonds or before the delivery thereof, such manual, electronic, or facsimile signature nevertheless shall be valid and sufficient for all purposes as if such officer had remained in such office.

(c) Except as provided below, no Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit of this Indenture unless and until there appears thereon the Certificate of Trustee, substantially in the form provided in Section (c) of the Form of Bond attached hereto as Exhibit A (such certificate, the *Certificate of Trustee*), duly authenticated by manual, electronic, or facsimile execution by an officer or duly authorized signatory of the Trustee. The same officer or authorized signatory of the Trustee shall not be required to sign the Certificate of Trustee applicable to each of the Bonds. In lieu of the executed Certificate of Trustee, the applicable Initial Bond delivered on the applicable Closing Date shall have attached thereto the Comptroller's Registration Certificate substantially in the form provided in Section (b) of the Form of Bond attached hereto as Exhibit A, manually, facsimile, electronically executed by the Comptroller, or by his duly authorized agent, which certificate shall be

evidence that such Initial Bond has been duly approved by the Attorney General, is a valid and binding obligation of the City, and has been registered by the Comptroller.

(d) On each Closing Date, one Initial Bond representing the entire principal amount of all of the Bonds of such Series then being initially delivered, payable in stated installments to the Purchaser, or its designee, executed on the City's behalf with the manual, electronic, or facsimile signatures of the Mayor and the City Secretary, approved by the Attorney General, and registered and manually, electronic, or facsimile signed by the Comptroller, will be delivered to the Purchaser or its designee. Upon payment for such Initial Bond, the Trustee shall cancel the Initial Bond and, upon satisfaction of the conditions precedent identified in Section 3.11 and, as applicable, Section 7.03, deliver to DTC on behalf of the Purchaser one registered definitive Bond for each year of maturity of the applicable Series of Bonds, in the aggregate principal amount of all Bonds of the applicable Series for such maturity, registered in the name of Cede & Co., as nominee of DTC.

Section 3.05 Ownership.

(a) The City, the Trustee, the Paying Agent/Registrar (if not also the Trustee), and any other Person may treat the Person in whose name any Bond is registered as the absolute owner thereof for the purpose of making and receiving payment as provided herein (except interest shall be paid to the Person in whose name such Bond is registered in the Register on the relevant Record Date) and for all other purposes, whether or not such Bond is overdue, and none of the City, the Trustee, or the Paying Agent/Registrar (if not also the Trustee) shall be bound by any notice or knowledge to the contrary.

(b) All payments made to the Owner of any Bond shall be valid and effective and shall discharge the liability of the City, the Trustee, and the Paying Agent/Registrar (if not also the Trustee) upon such payment, to the extent of the sums paid.

Section 3.06 Registration, Transfer and Exchange.

(a) So long as any Bond remains Outstanding, the City shall cause the Paying Agent/Registrar to keep at the Designated Payment/Transfer Office a Register in which, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with this Indenture. The Trustee, as Paying Agent/Registrar, represents and warrants that it will maintain a copy of the Register and shall cause the Register to be current with all registration and transfer information as from time to time may be applicable. The Register shall be subject to City inspection upon its delivery to the Trustee, as Paying Agent/Registrar, of its request to do so.

(b) A Bond shall be transferable only upon the presentation and surrender thereof at the Designated Payment/Transfer Office of the Paying Agent/Registrar with such endorsement or other evidence of transfer as is acceptable to the Paying Agent/Registrar. No transfer of any Bond shall be effective until entered in the Register. If any Bond is not presented for payment when the principal thereof becomes due, either at stated maturity, prior redemption, or otherwise, if funds sufficient to pay such Bond shall have been made available to the Trustee, all liability of the City to the Owner of such Bond for the payment thereof shall forthwith cease and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such fund or funds, without liability for interest thereon, for the benefit of such Owner, who shall thereafter be restricted exclusively to such fund or funds for any claim of whatever nature on his part under this Indenture or with respect to said Bond.

(c) The Bonds shall be exchangeable upon the presentation and surrender thereof at the Designated Payment/Transfer Office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate, in any Authorized Denomination, and in an aggregate principal amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Trustee, as Paying Agent/Registrar, is hereby authorized to authenticate and deliver Bonds exchanged for other Bonds in accordance with this Section.

(d) The Trustee, as Paying Agent/Registrar, is hereby authorized to authenticate and deliver Bonds transferred or exchanged in accordance with this Section. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bond being transferred or exchanged, at the Designated Payment/Transfer Office, or sent by United States mail, first class, postage prepaid, to the Owner or his designee. Each transferred Bond delivered by the Paying Agent/Registrar in accordance with this Section shall constitute an original contractual obligation of the City and shall be entitled to the benefits and security of this Indenture to the same extent as the Bond or Bonds in lieu of which such transferred Bond is delivered.

(e) Each exchange Bond delivered in accordance with this Section shall constitute an original contractual obligation of the City and shall be entitled to the benefits and security of this Indenture to the same extent as the Bond or Bonds in lieu of which such exchange Bond is delivered.

(f) No service charge shall be made to the Owner for the initial registration, subsequent transfer, or exchange for a different Authorized Denomination of any of the Bonds. The Trustee, as Paying Agent/Registrar, may, however, require the Owner to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection with the registration, transfer, or exchange of a Bond.

(g) Neither the City nor the Trustee, as Paying Agent/Registrar, shall be required to issue, transfer, or exchange any Bond or portion thereof called for redemption prior to stated maturity within 45 days prior to the date fixed for redemption; provided, however, such limitation shall not be applicable to an exchange by the Owner of the uncalled principal balance of a Bond.

Section 3.07 Cancellation.

All Bonds paid or redeemed before scheduled maturity in accordance with this Indenture, and all Bonds in lieu of which exchange Bonds or replacement Bonds are authenticated and delivered in accordance with this Indenture, shall be cancelled and proper records shall be made regarding such payment, redemption, exchange, or replacement. The Trustee, as Paying Agent/Registrar, shall dispose of cancelled Bonds in accordance with the records retention requirements of the Trustee.

Section 3.08 Temporary Bonds.

(a) Following the delivery and registration of the Initial Bond of a given Series of Bonds and pending the preparation of definitive Bonds of such Series, the proper officers of the City may execute and the Trustee, as Paying Agent/Registrar and upon the City's request, shall authenticate and deliver, one or more temporary Bonds that are printed, lithographed, typewritten, mimeographed or otherwise produced, in any Authorized Denomination, substantially of the tenor of the definitive Bonds in lieu of which they are delivered, without coupons, and with such appropriate insertions, omissions, substitutions and other variations as the officers of the City executing such temporary Bonds may determine, as evidenced by their signing of such temporary Bonds.

(b) Until exchanged for Bonds in definitive form, such Bonds in temporary form shall be entitled to the benefit and security of this Indenture.

(c) The City, without unreasonable delay, shall prepare, execute and deliver to the Trustee, as Paying Agent/Registrar, the Bonds in definitive form. Thereafter, and upon the presentation and surrender of the Bond or Bonds in temporary form to the Trustee, as Paying Agent/Registrar, Trustee, as Paying Agent/Registrar shall cancel the Bonds in temporary form and authenticate and deliver in exchange therefor a Bond or Bonds of the same maturity and series, in definitive form, in Authorized Denominations, and in the same aggregate principal amount, as the Bond or Bonds in temporary form surrendered. Such exchange shall be made without the making of any charge therefor to any Owner.

Section 3.09 Replacement Bonds.

(a) Upon the presentation and surrender to the Trustee, as Paying Agent/Registrar, of a mutilated Bond, the City shall issue and the Trustee, as Paying Agent, shall authenticate and deliver in exchange therefor a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding. The City or the Trustee, as Paying Agent/Registrar, may require the Owner of such Bond to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection therewith and any other expenses connected therewith.

(b) In the event that any Bond is lost, apparently destroyed, or wrongfully taken, the City shall issue and the Trustee, as Paying Agent/Registrar and pursuant to applicable State law (in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser), shall authenticate and deliver a replacement Bond of like tenor and principal amount bearing a number not contemporaneously outstanding, provided that the Owner first complies with the following requirements:

(1) furnishes to the Trustee, as Paying Agent/Registrar, satisfactory evidence of his ownership of and the circumstances of the loss, destruction, or theft of such Bond;

(2) furnishes such security or indemnity as may be required by the Trustee and the Paying Agent/Registrar (if not also the Trustee) to save and hold them and the City harmless;

(3) pays all expenses and charges in connection therewith, including (but not limited to) printing costs, legal fees, fees of the Trustee and the Paying Agent/Registrar (if not also the Trustee) and any tax or other governmental charge that is authorized to be imposed; and

(4) satisfies any other reasonable requirements imposed by the City, the Trustee, and the Paying Agent/Registrar (if not also the Trustee).

(c) After the delivery of such replacement Bond, if a bona fide purchaser of the original Bond in lieu of which such replacement Bond was issued presents for payment such original Bond, the City and the Trustee, as Paying Agent/Registrar, shall be entitled to recover such replacement Bond from the Person to whom it was delivered or any Person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost, or expense incurred by the City, Trustee, and the Paying Agent/Registrar (if not also the Trustee) in connection therewith.

(d) If such mutilated, lost, apparently destroyed, or wrongfully taken Bond has become or is about to become due and payable, the Trustee, as Paying Agent/Registrar (in its discretion), instead of

issuing a replacement Bond, may pay such Bond if it has become due and payable or may pay such Bond when it becomes due and payable.

(e) Each replacement Bond delivered in accordance with this Section shall constitute an original additional contractual obligation of the City and shall be entitled to the benefits and security of this Indenture to the same extent as the Bond or Bonds in lieu of which such replacement Bond is delivered.

Section 3.10 Book-Entry Only System.

(a) The Series 2022 Bonds shall, and other Series of Bonds may, initially be issued in book-entry-only form and shall be deposited with DTC, which is hereby appointed to act as the securities depository therefor, in accordance with the letter of representations from the City to DTC in the form attached hereto as Exhibit C (the *Representation Letter*). On the Closing Date for each Series of Bonds initially issued in book-entry-only form and deposited with DTC, the definitive Bonds of such Series of Bonds shall be issued in the form of a single typewritten certificate for each maturity thereof registered in the name of Cede & Co., as nominee for DTC.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the City, the Trustee, and the Paying Agent/Registrar (if not also the Trustee) shall have no responsibility or obligation to any DTC Participant or to any Person on behalf of whom such a DTC Participant holds an interest in such Bonds. Without limiting the immediately preceding sentence, the City, the Trustee, and the Paying Agent/Registrar (if not also the Trustee) shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in any Bonds, (ii) the delivery to any DTC Participant or any other Person, other than an Owner, as shown on the Register, of any notice with respect to any Bonds (including any notice of redemption), or (iii) the payment to any DTC Participant or any other Person, other than an Owner, as shown in the Register of any amount with respect to principal of or interest on the Bonds. Notwithstanding any other provision hereof to the contrary, the City, the Trustee, and the Paying Agent/Registrar (if not also the Trustee) shall be entitled to treat and consider the Person in whose name any Bond is registered in the Register as the absolute owner of such Bond for the purpose of payment of principal of and interest on such Bonds, for the purpose of giving notices of redemption and other matters with respect to such Bonds, for the purpose of registering transfer with respect to such Bonds, and for all other purposes whatsoever. The Trustee, as Paying Agent/Registrar, or the Paying Agent/Registrar (if not also the Trustee) shall pay all principal of and interest on the Bonds only to or upon the order of the respective Owners as shown in the Register, as herein provided, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to payment of principal of and interest on such Bonds to the extent of the sum or sums so paid. No Person, other than an Owner (as shown in the Register), shall receive a certificate (in form of a definitive Bond) evidencing the obligation of the City to make payments of amounts due pursuant hereto. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to interest checks or drafts being mailed to the registered owner at the close of business on the relevant Record Date, the word "Cede & Co." used herein shall refer to such new nominee of DTC.

(b) In the event that the City determines that DTC is incapable of discharging its responsibilities described herein and in the Representation Letter, the City shall, with respect to Bonds of a Series at such time registered through DTC, (i) appoint a successor securities depository, qualified to act as such under Section 17A of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC

Participants of the appointment of such successor securities depository, and transfer one or more separate Bonds of such affected Series to such successor securities depository; or (ii) notify DTC and DTC Participants of the availability through DTC of certificated Bonds and cause the Trustee, as Paying Agent/Registrar, or the Paying Agent/Registrar (if not also the Trustee) to transfer one or more separate registered Bonds to DTC Participants having Bonds credited to their DTC accounts. In such event, such affected Bonds shall no longer be restricted to being registered in the Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Owners transferring or exchanging affected Bonds shall designate, in accordance with the provisions hereof.

(c) Notwithstanding any other provision hereof to the contrary, so long as Bonds are registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of and interest on such Bonds, and all notices with respect to such Bonds shall be made and given, respectively, in the manner provided in the Representation Letter.

(d) A Supplemental Indenture may provide that a Series of Bonds will not be issued in book-entry-only form and, in such case, subsections (a) through (c) of this Section will not apply to such Series of Bonds.

Section 3.11 Conditions Precedent to Issuance of Series 2022 Bonds.

The Series 2022 Bonds shall be executed by the City and delivered to the Trustee, whereupon the Trustee shall authenticate the Series 2022 Bonds and, upon payment of the purchase price therefor, shall deliver the Series 2022 Bonds upon the order of the City, but only upon prior delivery to the Trustee of:

- (a) a certified copy of the Assessment and SAP Ordinance;
- (b) a certified copy of the Bond Ordinance;
- (c) a fully executed copy of the Financing Agreement;
- (d) a fully executed copy of the Reimbursement Agreement;
- (e) a fully executed copy of this Indenture;
- (f) an executed City Certificate directing the authentication and delivery of the Series 2022 Bonds, describing the Series 2022 Bonds to be authenticated and delivered, designating the Purchasers to whom the Series 2022 Bonds are to be delivered, stating the purchase price of the Series 2022 Bonds, and stating that all items required by this Section are therewith delivered to the Trustee in form and substance satisfactory to the City;
- (g) a copy of the executed opinion of Bond Counsel in the form attached as Appendix D to the Limited Offering Memorandum relating to the Series 2022 Bonds;
- (h) the approving opinion of the Attorney General and the Comptroller's registration certificate, each regarding the Series 2022 Bonds;
- (i) an executed signature and no-litigation certificate of the City;
- (j) a fully executed copy of the Completion Agreement; and
- (k) a fully executed copy of both Continuing Disclosure Agreements.

result of unexpended amounts transferred from the Project Fund's Projects Account, as provided in Section 6.06(d).

Notwithstanding the foregoing, the Trustee will not be required to effect an extraordinary optional redemption pursuant to this Section unless it has at least \$1,000 available in the Redemption Fund with which to redeem Series 2022 Bonds.

(b) In lieu of redeeming Series 2022 Bonds with funds described in this Section, the City may purchase Series 2022 Bonds of the maturity to be redeemed in the open market and at the price not in excess of that specified in Section 4.07.

Section 4.05 Partial Redemption.

(a) If less than all of a Series of Bonds are to be redeemed pursuant to Sections 4.02, 4.03, or 4.04, Bonds shall be redeemed in minimum principal amounts of \$1,000 or any integral thereof. Each Bond shall be treated as representing the number of Bonds that is obtained by dividing the principal amount of such Series of Bonds by \$1,000. No redemption shall result in a Bond in a denomination of less than the Authorized Denomination in effect at that time; provided, however, if the amount of the Outstanding Bond is less than an Authorized Denomination after giving effect to such partial redemption, a Bond in the principal amount equal to the unredeemed portion, but not less than \$1,000, may be issued.

(b) In selecting the Bonds to be redeemed pursuant to Section 4.02, the Trustee may select Bonds in any method that results in a random selection.

(c) In selecting the Bonds to be redeemed pursuant to Section 4.03, the Trustee may rely on the directions provided in a City Certificate. If no such direction is provided by the City, the Trustee may utilize any permitted selection methodology that results in random selection of such Bonds to be redeemed.

(d) If less than all of a Series of Bonds are called for extraordinary optional redemption pursuant to Section 4.04, the Bonds or portion of a Bond, as applicable, to be redeemed shall be selected on a pro rata basis (as nearly as practicable) among all Outstanding of Bonds of such Series. Upon surrender of any Bond for redemption in part, the Trustee, in accordance with Section 3.08, shall authenticate and deliver an exchange Bond or Bonds of the same Series and in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered, such exchange being without charge.

Section 4.06 Notice of Redemption to Owners.

(a) Upon receipt of a City Certificate providing to the Trustee the applicable redemption instructions, the Trustee shall give notice of any redemption of Bonds by sending notice by first class United States mail, postage prepaid, not less than 30 days before the date fixed for redemption, to the Owner of each Bond or portion thereof to be redeemed, at the address shown in the Register.

(b) The notice identified in Section 4.06(a) shall state the redemption date, the Redemption Price, the place at which the Bonds are to be surrendered for payment, and (if less than all the Bonds of a particular Series then-Outstanding are to be redeemed, and subject to Section 4.05), identification of the Bonds (or portions thereof) to be redeemed, any conditions to such redemption, and a statement that on

the identified redemption date, if all conditions (if any) to such redemption have been satisfied, such Bond shall become due and payable and interest thereon shall cease to accrue.

(c) Any notice given as provided in this Section shall be conclusively presumed to have been duly given, whether or not the Owner actually receives such notice.

(d) The City has the right to rescind any notice of optional or extraordinary redemption described in Sections 4.03 or 4.04, respectively, by delivery to the Trustee of written notice of such rescission on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default hereunder. Upon receipt of a City Certificate instructing the Trustee to rescind the then-effective notice of redemption, the Trustee shall mail notice of rescission of redemption in the same manner notice of redemption was originally provided.

With respect to any optional redemption of the Bonds pursuant to Section 4.03, unless the Trustee has received funds sufficient to pay the Redemption Price of the Bonds to be redeemed before giving of a notice of redemption, the notice may state the City may condition redemption on the receipt of such funds by the Trustee on or before the date fixed for the redemption, or on the satisfaction of any other prerequisites set forth in the notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption and sufficient funds are not received, the notice shall be of no force and effect, the City shall not redeem the Bonds, and the Trustee shall give notice, in the manner in which the notice of redemption was given, that the Bonds have not been redeemed.

Section 4.07 Purchase Price for Bonds.

Upon receipt of written notice from the City specifying the Bonds to be purchased, the Trustee shall apply money available for redemption to the purchase of Bonds that were otherwise to be redeemed, in such order or priority and subject to such restrictions as may be herein prescribed, in the applicable manner provided in this Article IV. The purchase price paid by the Trustee on behalf of the City (excluding accrued and unpaid interest, but including any brokerage and other charges) for any Bond purchased by the City shall not exceed the principal amount of such Bond.

Section 4.08 Payment Upon Redemption.

(a) The Trustee shall make provision for the payment of the Bonds to be redeemed on a specified date by setting aside and holding in trust an amount of money from the Redemption Fund or otherwise received by the Trustee from the City and shall use such funds solely for the purpose of paying the Redemption Price on the Bonds being redeemed.

(b) Upon presentation and surrender of any Bond called for redemption at the Designated Payment/Transfer Office of the Trustee (acting as Paying Agent/Registrar) on or after the date fixed for redemption, the Trustee shall pay the Redemption Price on such Bond to the date of redemption from the moneys set aside for such purpose.

Section 4.09 Effect of Redemption.

Notice of redemption having been given as provided in Section 4.06, the Bonds or portions thereof called for redemption shall become due and payable on the date fixed for redemption, provided that

funds for the payment of the Redemption Price of such Bonds to the date fixed for redemption are on deposit with the Trustee; thereafter, such Bonds or portions thereof shall cease to bear interest from and after the date fixed for redemption, whether or not such Bonds are presented and surrendered for payment on such date.

ARTICLE V. FORM OF THE SERIES 2022 BONDS

Section 5.01 Form Generally.

(a) The Series 2022 Bonds, including the Registration Certificate of the Comptroller, the Certificate of Trustee, and the Assignment to appear on each of the Series 2022 Bonds, (i) shall be substantially in the form set forth in Exhibit A hereto, with such appropriate insertions, omissions, substitutions, and other variations as are hereby permitted or required, and (ii) may have such letters, numbers, or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and such legends and endorsements (including any reproduction of an opinion of counsel) thereon as, consistently herewith, may be determined by the City or by the officers executing such Series 2022 Bonds (as evidenced by their execution thereof).

(b) Any portion of the text of any Series 2022 Bonds may be set forth on the reverse side thereof, with an appropriate reference thereto on the face of the Series 2022 Bonds.

(c) The definitive Series 2022 Bonds shall be typewritten, printed, lithographed, or engraved, and may be produced by any combination of these methods or produced in any other similar manner, all as determined by the officers executing such Series 2022 Bonds, as evidenced by their execution thereof.

(d) The Initial Series 2022 Bond submitted to the Attorney General may be typewritten and photocopied or otherwise reproduced.

(e) The form of each Series of Bonds, other than the Series 2022 Bonds, shall be set forth in the applicable Supplemental Indenture authorizing the issuance of such Series of Bonds.

Section 5.02 CUSIP Registration.

The City may secure identification numbers through the CUSIP Service Bureau Division of S&P Global Market Intelligence on behalf of the American Bankers Association, New York, New York, and may authorize the printing of such numbers on the face of the Series 2022 Bonds. It is expressly provided, however, that the presence or absence of CUSIP numbers on the Series 2022 Bonds shall be of no significance or effect as regards the legality thereof; and none of the City, the Trustee, or the attorneys approving said Series 2022 Bonds as to legality are to be held responsible for CUSIP numbers incorrectly printed on the Series 2022 Bonds. The Trustee (or the Paying Agent/Registrar if not also the Trustee) may include in any redemption notice a statement to the effect that the CUSIP numbers on the Series 2022 Bonds have been assigned by an independent service and are included in such notice solely for the convenience of the Owners of the Series 2022 Bonds and that neither the City nor the Trustee (or the Paying Agent/Registrar if not also the Trustee) shall be liable for any inaccuracies of such numbers.

Section 5.03 Legal Opinion.

The approving legal opinion of Bond Counsel may be printed on or attached to each Series 2022 Bond over the certification of the City Secretary of the City, which may be executed in facsimile.

ARTICLE VI. FUNDS AND ACCOUNTS

Section 6.01 Establishment of Funds and Accounts.

(a) The following Funds and Accounts are hereby created and hereunder established:

- (1) Pledged Revenue Fund;
- (2) Bond Fund, and within such Bond Fund:
 - (A) Capitalized Interest Account; and
 - (B) Principal and Interest Account;
- (3) Project Fund, and within such Project Fund:
 - (A) Projects Account; and
 - (B) Costs of Issuance Account;
- (4) Redemption Fund;
- (5) Reserve Fund, and within such Reserve Fund:
 - (A) Reserve Account; and
 - (B) Delinquency and Prepayment Reserve Account;
- (6) Excess Collections Fund;
- (7) Rebate Fund;
- (8) Administrative Expense Fund; and
- (9) Reimbursement Fund.

(b) Each Fund, and each Account (and each subaccount, if any) created within such Fund, shall be maintained by the Trustee separate and apart from all other funds and accounts of the Trustee and the City, respectively. The Pledged Funds and Accounts shall constitute trust funds, held in trust by the Trustee as part of the Trust Estate solely for the benefit of the Owners of the Bonds.

(c) Amounts, including Authorized Investments (and earnings resulting therefrom), from time to time on deposit in the Funds and Accounts hereunder created and maintained shall be used only for the purposes and in the manner permitted or required hereunder.

Section 6.02 Initial Deposits to Funds and Accounts.

The proceeds from the sale of the Series 2022 Bonds shall be paid to the Trustee and deposited or transferred by the Trustee as follows:

- (a) to the Capitalized Interest Account of the Bond Fund: \$_____;
- (b) to the Reserve Account of the Reserve Fund in satisfaction of the Reserve Account Requirement attributable to the issuance of the Series 2022 Bonds: \$_____;
- (c) to the Administrative Expense Fund: \$_____;
- (d) to the Costs of Issuance Account of the Project Fund: \$_____; and
- (e) to the Projects Account of the Project Fund: \$_____.

Section 6.03 Delivery of Assessment Revenues to the Trustee; Use.

(a) On or before February 15 of each year while the Bonds are Outstanding, beginning February 15, 2023, the City shall deposit or cause to be deposited with the Trustee all Assessment Revenues at such time collected and held by the City (each of the foregoing, an *Annual Assessment Revenues Deposit*). In addition, any time after each February 15 (commencing on February 15, 2023) and within 10 Business Days of its receipt of the same, the City shall deposit or cause to be deposited with the Trustee all Assessment Revenues received after February 15 of each year (any of the foregoing, an *Irregular Assessment Revenues Deposit*). Upon its receipt of an Annual Assessment Revenues Deposit or an Irregular Assessment Revenues Deposit, the Trustee shall deposit such Assessment Revenues as hereafter provided.

(b) Concurrently with its delivery to the Trustee of each Annual Assessment Revenues Deposit, the City shall deliver to the Trustee a City Certificate identifying, for such then-current calendar year, the portions of such Annual Assessment Revenues Deposit attributable to principal of (including Sinking Fund Installments) and interest on the Bonds, Administrative Expenses, Additional Interest, and the Reimbursement Obligation. In addition, such City Certificate shall identify any of such Annual Assessment Revenues Deposit attributable to Delinquent Collection Costs (collected pursuant to Section 7.01(c)), Prepayments, or Foreclosure Proceeds.

(c) Concurrently with its delivery to the Trustee of any Irregular Assessment Revenues Deposit, the City shall deliver to the Trustee a City Certificate identifying the amount of such Irregular Assessment Revenues Deposit attributable to principal of (including Sinking Fund Installments) and interest on the Bonds, Administrative Expenses, Additional Interest, and Reimbursement Obligation. In addition, such City Certificate shall identify any of such Irregular Assessment Revenues Deposit attributable to Delinquent Collection Costs (collected pursuant to Section 7.01(c)), Prepayments, or Foreclosure Proceeds.

(d) From Assessment Revenues, and in the amounts specified in the City Certificate described in Section 6.03(b) or Section 6.03(c), the Trustee shall deposit to the Administrative Expense Fund the Administrative Expenses and the Delinquent Collection Costs.

(e) All Assessment Revenues that remain after the Trustee's compliance with Section 6.03(d) constitute Pledged Revenues and, accordingly, shall be deposited to the Pledged Revenue Fund for further disbursement in accordance with Section 6.04.

Section 6.04 Pledged Revenue Fund.

(a) From each Annual Assessment Revenues Deposit and Irregular Assessment Revenues Deposit, the Trustee shall (immediately after its deposit of Pledged Revenues therefrom to the Pledged Revenue Fund pursuant to Section 6.03(e)) make the following reservations or transfers of amounts deposited to the Pledged Revenue Fund, in the identified manner and order of priority (and subject to the availability of funds):

- (1) Regarding Prepayments and Foreclosure Proceeds:
 - (i) Transfer all Prepayments to the Redemption Fund; and
 - (ii) Transfer all Foreclosure Proceeds, as directed by the City pursuant to a City Certificate, *first*, to the Reserve Fund to restore any prior transfers from the Accounts within the Reserve Fund made with respect to the Assessed Property to which the Foreclosure Proceeds relate (with such deposits further allocated, *first*, to the Reserve Account to replenish the Reserve Account Requirement and, *second*, to the Delinquency and Prepayment Reserve Account to replenish the Delinquency and Prepayment Reserve Requirement) and, *second*, to the Redemption Fund.
- (2) Regarding all other Annual Assessment Revenues Deposit or Irregular Assessment Revenues Deposit:
 - (i) First, reserve and hold in the Pledged Revenue Fund until used in the manner specified in Section 6.04(c) an amount equal to scheduled debt service on the Bonds (to include any Sinking Fund Installment) coming due in the then-current calendar year, taking into account any amounts then on deposit in the Principal and Interest Account of the Bond Fund and any expected withdrawals from the Capitalized Interest Account pursuant to Section 6.05(e), the Reserve Fund pursuant to Section 6.08(f), the Rebate Fund pursuant to Section 6.10(d), or from any other permitted source;
 - (ii) Second, transfer to the Reserve Account of the Reserve Fund such amount as is necessary (if at all, after taking into account any amounts at such time on deposit therein) to cause the balance of such Account to equal to the Reserve Account Requirement;
 - (iii) Third, transfer to the Delinquency and Prepayment Reserve Account of the Reserve Fund the amount of Additional Interest identified in the City Certificate delivered to the Trustee pursuant to Section 6.03(b), as, until and unless otherwise required pursuant to Section 6.08(b);
 - (iv) Fourth, transfer to the Reimbursement Fund the amount of the Reimbursement Obligation identified in the City Certificate delivered to the Trustee pursuant to

Section 6.03(b), as, until and unless otherwise required pursuant to Section 6.12(c); and

(v) Fifth, all remaining amounts (if any) to the Excess Collections Fund.

(b) From time to time as needed to pay scheduled debt service on the Bonds (to include any Sinking Fund Installment) coming due in the then-current calendar year, but no later than five (5) Business Days before each Interest Payment Date, the Trustee shall withdraw from such amounts retained in the Pledged Revenue Fund pursuant to Section 6.04(a)(1) and transfer to the Principal and Interest Account of the Bond Fund an amount necessary to cause the total amount then on deposit in the Principal and Interest Account, taking into account any transfers to such Account described in Section 6.04(a)(1), to equal the principal (including any scheduled Sinking Fund Installment) of, if any, and interest on the Bonds coming due on such Interest Payment Date.

(c) Any amounts that remain on deposit in the Pledged Revenue Fund after there no longer remain Outstanding any Bonds shall be transferred to the Reimbursement Fund.

(d) Notwithstanding any provision hereof to the contrary, the Trustee shall, from Pledged Revenues and prior to any other use of the same, transfer from the Pledged Revenue Fund to the Rebate Fund the amount instructed by the City pursuant to a City Certificate.

Section 6.05 Bond Fund.

(a) The Bond Fund, generally, and the Principal and Interest Account, specifically, shall be maintained for the purpose of paying regularly-scheduled principal of (including Sinking Fund Installments) and interest on the Bonds.

(b) On each Interest Payment Date, the Trustee shall withdraw from the Principal and Interest Account and transfer to the Paying Agent/Registrar the principal (including any Sinking Fund Installment) and interest then due and payable on the Bonds, less any amount to be used to pay interest on the Bonds on such Interest Payment Date from the Capitalized Interest Account as specified in Section 6.05(c) below or any transfer from the Reserve Fund pursuant to Section 6.08(e)(1)(C) or Section 6.08(f), respectively, to pay principal of certain Bonds.

(c) If amounts in the Principal and Interest Account are insufficient for the purposes set forth in Section 6.05(a), the Trustee shall withdraw from the Accounts of the Reserve Fund amounts necessary to cover the amount of such insufficiency, *first* (and until depletion of such Account), from the Delinquency and Prepayment Reserve Account and, *second*, from the Reserve Account. Amounts withdrawn from the Reserve Fund pursuant to this Section shall be deposited to the Principal and Interest Account and transferred to the Paying Agent/Registrar concurrently or in close proximity (but in all occurrences, on the same day) as transfers made under Section 6.05(b).

(d) If, after adding the transfers identified in Section 6.04(c) to any requisite transfer from the Reserve Fund pursuant to Section 6.05(c), the amounts on deposit in the Principal and Interest Account are insufficient to make the scheduled principal and interest payments due and owing as described in Section 6.05(b), the Trustee shall apply the available funds in the Principal and Interest Account, *first*, to the payment of interest and, *second*, to the payment of principal (including any Sinking Fund Installment) on the Bonds, as the same are due and owing on the applicable Interest Payment Date.

(e) Money on deposit in the Capitalized Interest Account shall be used for payment of scheduled interest on the Series 2022 Bonds due and owing on the following dates and in the specified amounts:

| <u>Interest Payment Date</u> | <u>Interest Payment Amount (\$)</u> |
|------------------------------|-------------------------------------|
| September 1, 2022 | |
| March 1, 2023 | |
| September 1, 2023 | |

Any amounts on deposit in the Capitalized Interest Account after the payment of the interest payment amounts on the respective Interest Payment Dates listed above shall be transferred to the Project Fund's Projects Account, or if such Account has been closed as provided in Section 6.06, such remaining amount to be deposited to the Projects Account as hereinbefore described shall instead be transferred to the Redemption Fund and used to redeem the Series 2022 Bonds. After transfer of all amounts held in the Capitalized Interest Account, whether by payment of the interest payment amount on the final Interest Payment Date indicated in the table above or by transfer of any remaining amounts to the Project Fund's Projects Account or the Redemption Fund as heretofore described, the Capitalized Interest Account shall be closed.

(f) Notwithstanding any provision of this Section to the contrary, amounts held in the Principal and Interest Account of the Bond Fund shall be transferred to the Redemption Fund as and when required (if at all) by Section 6.08(g).

Section 6.06 Project Fund.

(a) Amounts held in the Projects Account of the Project Fund shall, prior to the utilization of funds on deposit in the Reimbursement Fund, be used to pay Actual Costs of Authorized Improvements and costs identified in clauses (iv) (but only as it relates to costs incidental to the organization of the District) and (v) of Section 3.01 not paid at the time of initial delivery of the Bonds. Disbursements from the Projects Account of the Project Fund shall be made by the Trustee upon its receipt from time to time of City Certificates, each containing a properly executed and completed Certification for Payment applicable to the then-requested Projects Account disbursement. Upon the City's delivery to the Trustee of a City Certificate stating that all Authorized Improvements have been completed and that all Actual Costs of Authorized Improvements have been paid (or that any such Actual Costs of Authorized Improvements are not required to be paid from the Projects Account of the Project Fund), the Trustee shall transfer the amount, if any, remaining within the Projects Account of the Project Fund to the Principal and Interest Account of the Bond Fund or the Redemption Fund (as directed by the City upon advice of Bond Counsel) and, thereafter, close the Projects Account.

(b) The provisions and procedures related to disbursement of proceeds of Bonds (being one of the *Available Sources of Payment*, as such term is defined and used in the Financing Agreement) from the Project Fund's Projects Account, as described and provided in Section 4.03 of the Financing Agreement, are herein incorporated by reference and shall have the same force and effect as if herein reproduced in their entirety.

(c) Amounts held in the Costs of Issuance Account of the Project Fund shall be used to pay an allocable amount of the costs of District creation and the costs of issuance of Bonds of the Series from which such amounts then-held in the Costs of Issuance Account were derived or to which they relate.

Disbursements from the Costs of Issuance Account of the Project Fund shall be made by the Trustee pursuant to and in accordance with the directives of a City Certificate delivered to the Trustee by the City and providing for the disbursement or application of such funds to be disbursed (including directive to the Trustee to withdraw from such source an amount necessary to satisfy the fees and expenses initially incurred thereby). Any amounts remaining on deposit in the Costs of Issuance Account after the Trustee's satisfaction of all costs identified in a City Certificate that also states that such costs represent all then-applicable District creation costs and costs of issuance related to a particular Series of Bonds shall be transferred to the Project Fund's Projects Account.

(d) If the City Representative reasonably determines that amounts then on deposit in the Project Fund's Projects Account are not expected to be expended for payment of Actual Costs of Authorized Improvements due to completion, abandonment, or constructive abandonment, as the case may be, of some or all of the Authorized Improvements, such that, in the City Representative's opinion (reasonably exercised), the amounts then-held in the Project Fund's Projects Account are unlikely to ever be expended for the purposes specified in subpart (i) of Section 3.01, then the City Representative shall file with the Trustee a City Certificate identifying such amounts then-on deposit in the Projects Account and directing their transfer to the Redemption Fund. Upon transfer of such funds to the Redemption Fund, the Trustee shall (on the earliest practical date after requisite notice has been provided in accordance with the applicable provisions hereof) effect the redemption of Bonds of the Series to which such transferred proceeds relate. The Project Fund, including the Accounts therein held, shall thereafter be closed.

(e) In making any determination pursuant to this Section or preparing and delivering to the Trustee a City Certificate, the City Representative may conclusively rely upon a report issued by the City Engineer or a certificate of an Independent Financial Consultant.

(f) With respect to disbursement from an Account of the Project Fund, the Trustee may conclusively rely as to the completeness and accuracy of all statements in a City Certificate (including an associated Certification for Payment) thereto delivered if such certificate is signed by a City Representative. The execution of a City Certificate (including any Certification for Payment included therewith) by a City Representative shall constitute, unto the Trustee, an irrevocable determination that all conditions precedent to the payments requested have been completed. The Trustee shall not be required nor is there imposed thereon any duty to make any independent investigation regarding the completion or accuracy of information, determinations, directives, or findings included in any executed City Certificate or Certification for Payment included therewith.

Section 6.07 Redemption Fund.

Subject to adequate funds on deposit in the Pledged Revenue Fund, the Trustee shall deposit to the Redemption Fund (i) on the dates, in the amounts, and from the source identified for such purpose in a City Certificate (subject to the availability of funds in the identified source of deposit or transfer), (ii) the proceeds of Refunding Bonds pursuant to and in accordance with the provisions of a Supplemental Indenture authorizing their issuance, or (iii) pursuant to the applicable provisions hereof. Amounts from time to time on deposit in the Redemption Fund shall be withdrawn and used by the Trustee to effectuate redemptions of Bonds, from time to time and as directed by the City pursuant to and in accordance with Article IV (except with respect to mandatory sinking fund redemptions of Series 2022 Bonds pursuant to Section 4.02, which shall be accomplished as payment of regularly-scheduled principal from amounts on deposit in the Principal and Interest Account of the Bond Fund pursuant to Section 6.05(b)).

Section 6.08 Reserve Fund.

(a) Whether from proceeds of Bonds or by deposit from Pledged Revenues pursuant to Section 6.04(a)(2), there shall be accumulated and maintained in the Reserve Account of the Reserve Fund an amount at least equal to the Reserve Account Requirement. The Reserve Account Requirement resultant from the issuance of the Series 2022 Bonds shall be fully satisfied by the Reserve Account deposit made pursuant to, in accordance with, and from the source of funds identified in Section 6.02(b).

(b) As and when provided in Section 6.04(a)(3), the Trustee will transfer from the Pledged Revenue Fund to the Delinquency and Prepayment Reserve Account the Additional Interest, which the City shall impose, collect, and cause to be deposited until the Delinquency and Prepayment Reserve Requirement has been accumulated in the Delinquency and Prepayment Reserve Account. If, after having satisfied the Delinquency and Prepayment Reserve Requirement, the amount on deposit in the Delinquency and Prepayment Reserve Account shall at any time be less than the Delinquency and Prepayment Reserve Requirement, the Trustee shall notify the City, in writing, of the amount of such deficiency, and the City shall begin again collecting the Additional Interest pursuant to Section 7.01(e). Thereafter, the City Certificate delivered to Trustee pursuant to Section 6.03(b) shall again instruct the Trustee to deposit the Additional Interest from Pledged Revenue Fund into the Delinquency and Prepayment Reserve Account and shall so continue until the Delinquency and Prepayment Reserve Requirement has again been accumulated in the Delinquency and Prepayment Reserve Account; provided, however, that the City shall not be required to replenish the Delinquency and Prepayment Reserve Account in the event funds are transferred from the Delinquency and Prepayment Reserve Account to the Redemption Fund as a result of an extraordinary optional redemption of Bonds from the proceeds of a Prepayment pursuant to Section 4.04. If, after such deposits, there is surplus Additional Interest remaining, the Trustee shall transfer such surplus Additional Interest to the Redemption Fund and shall notify the City of such transfer in writing. If the City Certificate delivered pursuant to Section 6.03(b) does not identify an amount of Additional Interest and Additional Interest is being collected pursuant to this Section 6.08(b), the Trustee, in calculating the amounts to be transferred pursuant to this Section 6.08(b), may conclusively rely on the Annual Installments as shown on the Assessment Roll in the Service and Assessment Plan or an Annual Service Plan Update, unless and until it receives a City Certificate directing that a different amount be used.

(c) Amounts from time to time on deposit in either Account of the Reserve Fund shall, if at all, be transferred by the Trustee to the Principal and Interest Account of the Bond in the manner and amounts, at the times, and in the order of priority prescribed in Section 6.05(c). The Trustee shall provide written notice to the City of such a transfer from either Account of the Reserve Fund to the Principal and Interest Account of the Bond Fund, specifying (in such notice) the amount withdrawn and the source of said funds (being either Pledged Revenues deposited to such Account or Accounts pursuant to Section 6.04(a)(2) or (3), respectively, or proceeds of any Series of Bonds).

(d) Whenever Bonds are to be redeemed with Prepayment proceeds pursuant to Section 4.04, a proportionate amount of the total amount (determined as hereafter described) at such time held in the Reserve Account of the Reserve Fund shall, on the Business Day immediately preceding the redemption date established by the Trustee pursuant to such Section 4.04, be transferred to the Redemption Fund for application against the Redemption Price of such redeemed Bonds. The amount so transferred from the Reserve Account shall be equal to an amount representing the difference between (i) the lesser of (A) the Reserve Account Requirement prior to such redemption and (B) the amount actually on deposit in the Reserve Account prior to redemption, and (ii) the Reserve Account Requirement after such redemption; provided, however, no such transfer from the Reserve Account shall cause the

amount on deposit therein to be less than the Reserve Account Requirement after effectuation of such redemption of Bonds.

If, after accomplishing the transfer described in the preceding paragraph, the amounts then on deposit in the Redemption Fund (including investment earnings on amounts previously therein held) are insufficient to pay the Redemption Price of those Bonds called for redemption as a result of such Prepayment, the Trustee shall, to the extent of funds at such time therein held, transfer all or a portion of the Delinquency and Prepayment Reserve Requirement, in an amount equal to the aforementioned deficiency, from the Delinquency and Prepayment Reserve Account to the Redemption Fund and apply the same against the Redemption Price of such redeemed Bonds.

(e) Whenever, on any Interest Payment Date or, at the written request of a City Representative, on any other date, the amount in:

(1) the Reserve Account exceeds the Reserve Account Requirement, the Trustee shall (A) provide written notice to the City Representative of the amount of the excess, (B) transfer such excess amount to the Principal and Interest Account of the Bond Fund, and (C) use such excess transferred amount for payment of interest on the Bonds due and owing on the next occurring Interest Payment Date in accordance with Section 6.05(b); UNLESS, within 45 days of its delivery to the City Representative of the notice described in clause (A) of this paragraph, the Trustee receives a City Certificate instructing the Trustee to utilize such excess Reserve Account amount: (i) to pay amounts due under Section 6.10, (ii) by transferring therefrom to the Administrative Expense Fund an amount not in excess of the Administrative Expenses for the then-current year, or (iii) by transferring therefrom to the Projects Account of the Project Fund (if accompanied by a City Certificate providing that the expenditure of such transferred excess funds is expected to occur not later than the third anniversary of the Closing Date of the Series of Bonds to which such transfer relates or an opinion of nationally recognized bond counsel that such transfer will not result in a violation of the City's covenants included in Section 7.04); and

(2) the Delinquency and Prepayment Reserve Account exceeds the Delinquency and Prepayment Reserve Requirement, the Trustee shall (A) provide written notice to the City Representative of the amount of the excess and (B) transfer, at the direction of the City pursuant to a City Certificate, to the Administrative Expense Fund for the payment of all or a portion of the Administrative Expenses or to the Redemption Fund for use in effecting a redemption of Bonds pursuant to Section 4.04; provided, however, that if the Trustee does not, within 45 days of its delivery to the City Representative the notice to described in clause (A) of this paragraph, receive a City Certificate directing the transfer of the excess Delinquency and Prepayment Reserve Account balance to the Administrative Expense Fund, the Trustee shall transfer such excess Delinquency and Prepayment Reserve Account balance to the Redemption Fund and use such transferred amount to redeem Bonds pursuant to Section 4.04.

(f) At the final maturity of the Bonds, amounts on deposit in the Accounts of the Reserve Fund shall be transferred to the Principal and Interest Account of the Bonds Fund and applied to the payment of such finally maturing principal of the Bonds.

(g) If the total amount held in the Accounts of the Reserve Fund, together with the amounts at such time held in the Principal and Interest Account of the Bond Fund and Redemption Fund, is sufficient to pay the Redemption Price of all then-Outstanding Bonds, such funds shall be immediately

transferred to the Redemption Fund and thereafter used to redeem all Outstanding Bonds on the earliest practicable redemption established pursuant to the applicable provisions of Article IV.

(h) As of the Closing Date for the Series 2022 Bonds, the Series 2022 Reserve Account Requirement is \$_____, which is an amount equal to [Maximum Annual Debt Service] on the Series 2022 Bonds as of such date.

Section 6.09 Excess Collections Fund.

Amounts from time to time on deposit in the Excess Collections Fund shall be used by the Trustee, *first*, to cure any deficiency in any of the other Pledged Funds and Accounts, and *second* (after first determining that there then-exists no balance deficiency in any other Pledged Fund and Account), as and when directed by the City in a City Certificate, for any lawful purpose permitted by the PID Act for which Assessment Revenues may be used (including redemption of Bonds); provided, however, that if the Actual Costs of Authorized improvements, as contemplated from time to time under the Service and Assessment Plan, have been fully paid and the Reimbursement Obligation satisfied, then amounts from time to time on deposit in the Excess Collections Fund shall be transferred to the Redemption Fund when and as directed by the City as hereinbefore-described and used to effectuate a redemption of Bonds pursuant to Article IV. If amounts from the Excess Collections Fund are to be used to pay Actual Costs of Authorized Improvements, the City Certificate directing such use shall be accompanied by a Certification for Payment. The Trustee may rely on a City Certificate hereunder delivered and shall have no obligation to determine the legality under the PID Act of any expenditure of Excess Collection Fund proceeds. The Trustee conclusively shall be deemed to have complied with the provisions of this Section and shall not assume any liability or additional responsibility if it follows the City's directive included in a City Certificate delivered pursuant to this Section.

Any direct payment of Actual Costs of Authorized Improvements from proceeds from time to time held in the Excess Collections Fund that would otherwise be paid directly by the Developer under the Completion Agreement and whose costs would then comprise a portion of the Reimbursement Obligation shall satisfy and discharge as an obligation of the City a corresponding amount of the Reimbursement Obligation.

Section 6.10 Rebate Fund.

(a) Amounts on deposit in the Rebate Fund shall be used by the Trustee, as and when directed by the City in a City Certificate, solely for the purpose of paying the Rebate Amount applicable to any Series of Bonds from time to time due and owing to the United States Department of the Treasury in accordance with the Code.

(b) In order to assure that the Rebate Amount is paid to the United States Department of the Treasury rather than to a third party, investments of funds from time to time on deposit in the Rebate Fund shall be made in accordance with the Code and pursuant to the Tax Certificate.

(c) The Trustee conclusively shall be deemed to have complied with the provisions of this Section and Section 7.04(b) and shall not assume any liability or additional responsibility if it follows the directive of the City included in a City Certificate and shall not be required to take any action under this Section and Section 7.04(b), respectively, in the absence of its receipt of such written City directive.

(d) If, on the date of each annual calculation of the Rebate Amount, the amount on deposit in the Rebate Fund exceeds such Rebate Amount, the City may direct the Trustee by City Certificate to transfer the amount of such excess to the Principal and Interest Account of the Bond Fund.

Section 6.11 Administrative Expense Fund.

(a) The Trustee shall, immediately upon receipt, deposit or cause to be deposited to the Administrative Expense Fund, from Assessment Revenues delivered to the Trustee by the City, the amount of such Assessment Revenues attributable to that portion of the Assessments (from which such Assessment Revenues are derived) imposed for the purpose of providing a City source of payment for Administrative Expenses and Delinquent Collection Costs. Amounts from time to time on deposit in the Administrative Expense Fund shall be delivered by the Trustee to the City as and when directed by the City in a City Certificate, for use by the City to pay (directly or by reimbursement) Administrative Expenses and Delinquent Collection Costs, in accordance with and as described in the applicable provisions of the Service and Assessment Plan concerning the use of such portions of Assessment Revenues. The Trustee conclusively shall be deemed to have complied with the provisions of this Section and shall not assume any liability or additional responsibility if it follows the City's directive included in a City Certificate delivered pursuant to this Section.

(b) Administrative Expenses collected but not expended in any year, and that remain on deposit in the Administrative Expense Fund, shall be carried forward and applied to reduce Administrative Expenses for subsequent years.

Section 6.12 Reimbursement Fund.

(a) Upon depletion of the funds on deposit in the Project Fund, amounts from time to time on deposit in the Reimbursement Fund shall be used for payment to the Developer in satisfaction of, and to be applied by the Developer against, the Reimbursement Obligation pursuant to the terms of the Reimbursement Agreement and when and as specified in a City Certificate.

(b) The provisions and procedures of the Reimbursement Agreement concerning the City's payment of the Reimbursement Obligation are hereby incorporated by reference and deemed part hereof for all purposes as though reproduced herein in their entirety.

(c) When the City provides written notice to the Trustee that the Reimbursement Obligation has been fully satisfied (whether by payment, from any source, of amounts due to the Developer under the Reimbursement Agreement or by direct payment of Actual Costs of Authorized Improvements that were intended to comprise a portion of the Reimbursement Obligation), no further deposits shall be made to the Reimbursement Fund, amounts at such time on deposit in the Reimbursement Fund shall be transferred to the Excess Collections Fund, and the Reimbursement Fund shall be closed. Upon such occurrence, Section 6.04(a)(4) shall have no further effect and be treated as though such provision no longer exists.

Section 6.13 Investment of Funds; Security of Uninvested Funds.

(a) Money in any Fund or Account hereunder established shall be invested by the Trustee only as directed by the City pursuant to the terms of a City Certificate filed with the Trustee at least two (2) days in advance of the making of such investment (or as directed below) and only in Authorized Investments. The aforementioned City Certificate shall direct investment of funds in such Authorized

Investments of adequate liquidity so that money required to be expended from any Fund or Account is available at the time or times required of such funds pursuant to the applicable terms of this Indenture. To ensure that cash on hand is invested, if the City does not give the Trustee written or timely instructions with respect to investments of funds, the Trustee is hereby directed to invest and re-invest cash balances in the Morgan Stanley Gov't Fund #8352 (CUSIP 61747C889), provided that the money required to be expended from any Fund or Account will be available at the proper time or times as herein specified.

(b) Authorized Investments held in any Fund or Account, as well as resultant earnings therefrom, shall be deemed to be part of such Fund or Account, subject, however, to the requirements hereof to transfer investments earnings from one Fund or Account to another.

(c) Investments of any Fund or Account shall be valued each year in terms of current market value as of September 30.

(d) The Trustee and its affiliates may act as sponsor, depository, principal or agent in the acquisition or disposition of any Authorized Investment.

(e) The Trustee shall not incur any liability for losses arising from any investments made pursuant to this Section.

(f) The Trustee shall not be required to determine the suitability or legality of any investments or whether investments qualify as Authorized Investments.

(g) Authorized Investments of proceeds of any and all Funds and Accounts may be commingled in a separate fund or funds for purposes of making, holding and disposing of Authorized Investments, notwithstanding provisions herein for transfer to or holding in or to the credit of particular Funds or Accounts of amounts received or held by the Trustee hereunder, provided that the Trustee shall at all times account for such investments strictly in accordance with the Funds and Accounts to which they are credited, segregated from all other money, investments, funds and accounts (including other Funds or Accounts) from time to time held by the Trustee.

(h) Amounts on deposit in Funds and Accounts hereunder created and maintained, to the extent not invested in Authorized Investments as herein permitted, shall be secured in the manner and to the fullest extent required by applicable State law for the security of public funds.

ARTICLE VII. COVENANTS, REPRESENTATIONS, AND WARRANTIES

Section 7.01 Confirmation, Collection, Enforcement, and Notice of Assessments.

(a) The City hereby confirms, represents, warrants, covenants, and agrees that, in the Assessment and SAP Ordinance, it has levied the Assessments against the respective Assessed Properties from which the Assessment Revenues will be collected and received.

(b) For so long as any Bonds are Outstanding and any part of the Reimbursement Obligation remains unsatisfied, the City covenants, agrees and warrants that it will take and pursue all actions permissible under Applicable Laws to cause the Assessments to be collected and the liens thereof enforced continuously, in the manner and to the maximum extent permitted by Applicable Laws and (to the extent permitted by Applicable Laws) to cause or permit no reduction, abatement or exemption in the Assessments.

(c) The City will determine or cause to be determined, no later than February 15 of each year during which this Indenture remains valid and in effect, if any Annual Installment is delinquent and, if any such delinquency exists, order and cause to be commenced as soon as practicable any and all appropriate and legally permissible actions to obtain and collect such Annual Installment, and any Delinquent Collections Costs and interest and penalty interest thereon, including diligently prosecuting an action in district court to foreclose the then-delinquent Annual Installment. Notwithstanding the foregoing, the City shall not be required under any circumstances to purchase or make payment for the purchase of the delinquent Assessment or the corresponding Assessed Property.

(d) The City shall, as soon as practicable upon receipt of a notice from the Trustee of insufficiency of Delinquency and Prepayment Account balance pursuant to Section 6.08(b), recommence imposition, collection, and deposit of Additional Interest and continue the same until the balance of the Delinquency and Prepayment Account again equals the Delinquency and Prepayment Reserve Requirement.

Section 7.02 Performance Under Trust Indenture.

(a) The City hereby covenants to do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the City under and pursuant to the provisions of this Indenture.

(b) The City represents and warrants that it is authorized by Applicable Laws to authorize and issue the Bonds, to execute and deliver this Indenture and to pledge the Trust Estate in the manner and to the extent hereunder provided, and that the Trust Estate is and will remain free and clear of any pledge, lien, charge, or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge and lien created in or authorized by this Indenture, except as expressly herein provided.

(c) The City shall at all times, to the extent permitted by Applicable Laws, defend, preserve and protect the pledge of the Trust Estate and all the rights of the Owners and the Trustee hereunder against all claims and demands of all Persons whomsoever.

(d) The City will take all steps reasonably necessary and appropriate, and will direct the Trustee to take all steps reasonably necessary and appropriate, to collect all delinquencies in the collection of the Assessments and any other amounts pledged to the payment of the Bonds to the fullest extent permitted by the PID Act and other Applicable Laws.

(e) To the extent permitted by Applicable Laws, statements for the Annual Installments shall be sent by, or on behalf of the City, to the affected property owners on the same statement or such other mechanism that is used by the City so that such Annual Installments are collected simultaneously with ad valorem taxes and shall be subject to the same penalties, procedures, and foreclosure sale in case of delinquencies as are provided for the City's collection of ad valorem taxes.

Section 7.03 Additional Liens, Encumbrances, and Indebtedness; Additional Bonds and Refunding Bonds.

(a) Other than Additional Bonds and Refunding Bonds, the City, for so long as Bonds remain Outstanding, shall not create and, to the extent Pledged Revenues are received, shall not suffer to remain, any lien, encumbrance or charge upon the Pledged Revenues, the Trust Estate, or any other property pledged under this Indenture other than the lien thereon and pledge thereof hereunder created for the

equal and ratable security of the Bonds. Notwithstanding the foregoing, the City reserves the right to issue or incur other obligations (including evidences of indebtedness) under other indentures, orders, or documentation of similar form.

(b) The City, subject to the following provisions and upon satisfaction of the specified and applicable conditions precedent, reserves (i) the right, but (except as otherwise provided in the Financing Agreement) shall not be obligated, to issue Additional Bonds to finance the Actual Costs of Authorized Improvements or to satisfy all or part of the Reimbursement Obligation and (ii) the right to issue Refunding Bonds for the purpose of refunding all or any portion of then-Outstanding Bonds:

(1) Each Series of Additional Bonds or Refunding Bonds shall be issued pursuant to a Supplemental Indenture, authorized and approved by order of the Council, which Supplemental Indenture shall specify the terms and characteristics of such Series of Additional Bonds or Refunding Bonds (to include the date, rate or rates of interest on, interest payment dates, maturity dates, redemption and all other terms and provisions thereof), subject to the terms and limitations herein provided;

(2) The principal (including any sinking fund installment) of any Series of Additional Bonds or Refunding Bonds must be scheduled to mature on September 1 of the years in which principal of any such Series of Bonds is scheduled to mature;

(3) The interest on any Series of Additional Bonds or Refunding Bonds must be calculated at fixed rate(s) and be scheduled for payment on March 1 and September 1 of the years in which interest is scheduled to be paid;

(4) Prior to the issuance of any Series of Additional Bonds or Refunding Bonds, the following conditions precedent must have been observed or accomplished:

(A) The City shall have delivered or caused to be delivered to the Trustee:

1. a copy, certified by the City Secretary of the City, of the Council's ordinance or ordinances authorizing the issuance, sale, execution and delivery of the Series of Additional Bonds or Refunding Bonds and the execution and delivery of a Supplemental Indenture pursuant to which the same are issued;

2. an original, executed counterpart of such Supplemental Indenture;

3. the items described in Section 3.11(a), (c), (d), (e) and (g), respectively;

4. a copy of the opinion of Bond Counsel required by Section 10.01 hereof and a copy of the executed opinion of Bond Counsel related to such additional Series of Bonds (to the extent the applicable) in substantially the form described in Section 3.11(g);

5. a certificate of a City Representative that (x) includes the certifications required in Section 3.11(f); (y) certifies that the issuance of the subject Series of Additional Bonds or Refunding Bonds complies with the

requirements contained herein and in each Supplemental Indenture applicable to the issuance of such additional Series of Bonds; and (z) certifies that the City is not in default in the performance and observance of any of the terms, provisions and conditions applicable to the City contained herein or in any Supplemental Indenture; and

6. the approving opinion of the Attorney General and the Comptroller's registration certificate, each regarding the subject additional Series of Bonds.

(B) Any deficiency in the Reserve Account Requirement resultant from the issuance of the subject Series of Additional Bonds or Refunding Bonds shall be satisfied in a manner permitted pursuant to Section 6.08 as of the Closing Date of such applicable Series of Bonds.

(5) In addition to the requirements specified in Paragraph (4) above applicable to the issuance of any Series of Additional Bonds or Refunding Bonds, prior to the issuance of any Series of Additional Bonds, the following conditions precedent must have also been observed or accomplished:

(A) The City Representative shall have delivered to the Trustee a written certification evidencing that:

1. the City is not in default in the performance and observance of any of the terms, provisions and conditions hereunder contained that are applicable thereto;

2. the Developer is not delinquent with respect to any of its duties or obligations (including payment obligations) arising under the Completion Agreement, the Development Agreement, or the Financing Agreement; and

3. the maximum principal amount of Additional Bonds to be issued is the lesser of (y) the sum of the then-outstanding balance of the Reimbursement Obligation plus unpaid Actual Costs that are also "Reimbursable Actual Costs" under the Completion Agreement and (z) the then-outstanding and unpaid Assessments, less the amount of Assessments required to pay the principal of the then-Outstanding Bonds;

(B) The Developer, acting through an authorized representative, shall have provided to the Trustee written certification that the Developer is not in default beyond any applicable notice and cure period in the performance and observance of any of the terms, provisions and conditions applicable to, the performance of any duty or obligation of, or the observance of any responsibility of the Developer contained in the Financing Agreement, the Completion Agreement, or the Development Agreement;

(C) The Administrator shall have provided to the Trustee written certification that the Developer is not delinquent with respect to the payment of Assessments or any ad valorem taxes (other than any ad valorem taxes being contested in good faith) levied and imposed, respectively, on any Assessed Property; and

(D) The Trustee shall have received a certificate or report from an independent certified appraiser, appraisal firm or financial consultant (which financial consultant may be the Administrator or other similar firm experienced in the field of public improvement district assessments and the administration of public improvement districts), assuming completion of the Authorized Improvements, demonstrating that the ratio of the aggregate appraised value of all Assessed Properties within the District to the aggregate principal amount of the Outstanding Bonds and the Additional Bonds to be issued (the *Value to Lien Ratio*) is at least 3:1. In calculating the Value to Lien Ratio for purposes of compliance with this paragraph, the independent certified appraiser, appraisal firm or financial consultant may rely on builder contracts, a certificate from the Administrator identifying lots for which home construction has commenced or the San Patricio Tax Assessor/Collector's estimated assessed valuation for completed homes (home and lot assessed valuation) and estimated lot valuation for lots on which homes are under construction.

(6) Upon satisfaction of each of the applicable conditions precedent to the issuance of a Series of Additional Bonds or Refunding Bonds, as described above, an initial bond or bonds representing such Series of Bonds shall be executed by the City and delivered to the Trustee, whereupon the Trustee shall authenticate such Bonds and, upon payment of the purchase price therefor, deliver such Series of Bonds upon the order of the City.

Section 7.04 Covenants to Maintain Tax-Exempt Status.

(a) The City covenants to take any action necessary to assure, or refrain from any action which would adversely affect, the treatment of the Bonds as obligations described in section 103 of the Code, the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the City covenants as follows:

(1) to take any action to assure that no more than 10 percent of the proceeds of the Bonds or the projects financed therewith (less amounts deposited to a reserve fund, if any) are used for any "private business use," as defined in section 141(b)(6) of the Code or, if more than 10 percent of the proceeds or the projects financed therewith are so used, such amounts, whether or not received by the City, with respect to such private business use, do not, under the terms of this Indenture or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Bonds, in contravention of section 141(b)(2) of the Code;

(2) to take any action to assure that in the event that the "private business use" described in subsection (1) hereof exceeds 5 percent of the proceeds of the Bonds or the projects financed therewith (less amounts deposited into a reserve fund, if any) then the amount in excess of 5 percent is used for a "private business use" which is "related" and not "disproportionate," within the meaning of section 141(b)(3) of the Code, to the governmental use;

(3) to take any action to assure that no amount which is greater than the lesser of \$5,000,000, or 5 percent of the proceeds of the Bonds (less amounts deposited into a reserve fund, if any) is directly or indirectly used to finance loans to persons, other than state or local governmental units, in contravention of section 141(c) of the Code;

(4) to refrain from taking any action which would otherwise result in the Bonds being treated as “private activity bonds” within the meaning of section 141(b) of the Code;

(5) to refrain from taking any action that would result in the Bonds being “federally guaranteed” within the meaning of section 149(b) of the Code;

(6) to refrain from using any portion of the proceeds of the Bonds, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the Code) which produces a materially higher yield over the term of the Bonds, other than investment property acquired with -

(A) proceeds of the Bonds invested for a reasonable temporary period of 3 years or less or, in the case of a refunding bond, for a period of 90 days or less until such proceeds are needed for the purpose for which the bonds are issued,

(B) amounts invested in a bona fide debt service fund, within the meaning of section 1.148-1(b) of the Regulations, and

(C) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed 10 percent of the proceeds of the Bonds;

(7) to otherwise restrict the use of the proceeds of the Bonds or amounts treated as proceeds of the Bonds, as may be necessary, so that the Bonds do not otherwise contravene the requirements of section 148 of the Code (relating to arbitrage);

(8) to refrain from using the proceeds of the Bonds or proceeds of any prior bonds to pay debt service on another issue more than 90 days after the date of issue of the Bonds in contravention of the requirements of section 149(d) of the Code (relating to advance refundings); and

(9) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Bonds) an amount that is at least equal to 90 percent of the “Excess Earnings,” within the meaning of section 148(f) of the Code and to pay to the United States of America, not later than 60 days after the Bonds have been paid in full, 100 percent of the amount then required to be paid as a result of Excess Earnings under section 148(f) of the Code.

(b) In order to facilitate compliance with the above covenant (9) above, the City has, in Section 6.01 provided for the creation and maintenance of the Rebate Fund solely for the benefit of the United States of America. Such Fund shall not be subject to the claim of any other person, including without limitation the holders of the Bonds. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

(c) The City understands that the term “proceeds” includes “disposition proceeds” as defined in the Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of issuance of the Bonds. It is the understanding of the City that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as

applicable to the Bonds, the City will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Bonds, the City agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In furtherance of such intention, the City hereby authorizes and directs any of the Mayor, Mayor Pro Tem City Manager, City Secretary, or City Attorney to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the City, which may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds.

(d) The City covenants to account for the expenditure of sale proceeds and investment earnings to be used for the purposes described in Section 3.01 hereof (such purposes, as described in this Section, the *Project*) on its books and records in accordance with the requirements of the Code. The City recognizes that for the proceeds to be considered used for the reimbursement of costs, the proceeds must be allocated to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the Project is completed; but in no event later than three years after the date on which the original expenditure is paid. The foregoing notwithstanding, the City recognizes that for proceeds to be expended under the Code, the sale proceeds or investment earnings must be expended no more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Bonds, or (2) the date the Bonds are retired. The City agrees to obtain the advice of nationally recognized bond counsel if such expenditure fails to comply with the foregoing to assure that such expenditure will not adversely affect the tax-exempt status of the Bonds. For purposes hereof, the City shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

(e) The City covenants that the property constituting the Project will not be sold or otherwise disposed in a transaction resulting in the receipt by the City of cash or other compensation, unless any action taken in connection with such disposition will not adversely affect the tax-exempt status of the Bonds. For purpose of the foregoing, the City may rely on an opinion of nationally recognized bond counsel that the action taken in connection with such sale or other disposition will not adversely affect the tax-exempt status of the Bonds. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the City shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

(f) Unless superseded by another action of the City, to ensure compliance with the covenants contained herein regarding private business use, remedial actions, arbitrage and rebate, the Council hereby adopts and establishes the instructions attached as Exhibit D hereto as the City's written procedures.

Section 7.05 Further Assurances; Due Performance.

(a) At any and all times the City will duly execute, acknowledge and deliver, or will cause to be done, executed and delivered, all and every such further acts, conveyances, transfers, and assurances in a manner as the Trustee shall reasonably require for conveying, transferring, pledging, and confirming unto the Trustee, all and singular, the revenues and properties constituting the Pledged Revenues, the

Pledged Funds and Accounts, and the Trust Estate hereby transferred and pledged, or intended so to be transferred and pledged.

(b) The City will duly and punctually keep, observe and perform each and every term, covenant and condition on its part to be kept, observed and performed, contained in this Indenture.

ARTICLE VIII. LIABILITY OF CITY; USE OF OTHER AVAILABLE FUNDS

Section 8.01 Limited City Liability Hereunder.

Neither the full faith and credit nor the general taxing power of the City is pledged to the payment of the Bonds, and except for the Trust Estate, no City taxes, fee, or revenues from any source are pledged to the payment of, or available to pay any portion of, the Bonds, the Reimbursement Obligation, or any other obligations relating to the District. The City shall never be liable for any obligations relating to the Bonds, the Reimbursement Obligation, or other obligations relating to the District, other than as specifically provided for in this Indenture.

The City shall not incur any responsibility in respect of the Bonds or this Indenture other than in connection with the duties or obligations explicitly herein or in the Bonds assigned to or imposed upon it. The City shall not be liable in connection with the performance of its duties hereunder, except for its own willful default or act of bad faith. The City shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions covenants or agreements of the Trustee herein or of any of the documents executed by the Trustee in connection with the Bonds, or as to the existence of a default or Event of Default thereunder.

In the absence of bad faith, the City may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the City and conforming to the requirements of this Indenture. The City shall not be liable for any error of judgment made in good faith unless it shall be proved that it was negligent in ascertaining the pertinent facts.

No provision of this Indenture, the Bonds, the Assessment and SAP Ordinance, or any agreement, document, instrument, or certificate executed, delivered or approved in connection with the issuance, sale, delivery, or administration of the Bonds (collectively, the *Bond Documents*), shall require the City to expend or risk its own general funds or otherwise incur any financial liability (other than with respect to the Trust Estate and the Administrative Expenses) in the performance of any of its obligations hereunder, or in the exercise of any of its rights or powers, if in the judgment of the City there are reasonable grounds for believing that the repayment of such funds or liability is not reasonably assured to it.

Neither the Owners nor any other Person shall have any claim against the City or any of its officers, officials, agents, or employees for damages suffered as a result of the City's failure to perform in any respect any covenant, undertaking, or obligation under any Bond Documents or as a result of the incorrectness of any representation in, or omission from, any of the Bond Documents, except to the extent that any such claim relates to an obligation, undertaking, representation, or covenant of the City, in accordance with the Bond Documents and the PID Act. Any such claim shall be payable only from the Trust Estate or the amounts collected to pay Administrative Expenses on deposit in the Administrative Expense Fund. Nothing contained in any of the Bond Documents shall be construed to preclude any action or proceeding in any court or before any governmental body, agency, or instrumentality against the City or any of its officers, officials, agents, or employees to enforce the provisions of any of the Bond Documents or to enforce all rights of the Owners of the Bonds by mandamus or other proceeding at law or in equity.

The City may rely on and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The City may consult with counsel with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

Whenever in the administration of its duties under this Indenture the City shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of willful misconduct on the part of the City, be deemed to be conclusively proved and established by a certificate of the Trustee, an Independent Financial Consultant, an independent inspector, the City Representative, another City official or representative or other person designated by the Council to so act on behalf of the City, and such certificate shall be full warrant to the City for any action taken or suffered under the provisions of this Indenture upon the faith thereof, but in its discretion the City may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

In order to perform its duties and obligations hereunder, the City may employ such persons or entities as it deems necessary or advisable. The City shall not be liable for any of the acts or omissions of such persons or entities employed by it in good faith hereunder, and shall be entitled to rely, and shall be fully protected in doing so, upon the opinions, calculations, determinations, and directions of such persons or entities.

Section 8.02 Advances from Other Lawfully Available City Funds.

(a) Notwithstanding the foregoing, the City, in the event of a delinquency in the payment of any installment of the Assessments levied upon any Assessed Property for the payment of the principal portion of an Annual Installment, may (but is not obligated to) be the purchaser of the delinquent Assessed Property upon which any of said Assessments are levied in like manner in which it may become the purchaser of property sold for the nonpayment of general ad valorem property taxes. In the event the City does so become the purchaser of such property, it shall pay and transfer to the Trustee any remaining amount of unpaid Assessment, delinquent Annual Installments and interest thereon for the Trustee's disposition of the same pursuant to the applicable provisions of Section 6.03 and Section 6.04, respectively. The City may also pay and transfer from its lawfully available funds to the Trustee for disposition of the same pursuant to Section 6.03 and Section 6.04, respectively, the amount of any such portions of Assessments pending redemption or sale of the subject Assessed Property. Any amounts so advanced by the City as in this Section described shall be recoverable upon redemption or sale of the Assessed Property.

(b) The City has not obligated itself, nor shall any provision hereof obligate the City, to advance lawfully available funds other than Assessment Revenues to cure any deficiency in any Fund or Account.

ARTICLE IX. THE TRUSTEE

Section 9.01 Trustee as Paying Agent and Registrar.

The Trustee is hereby designated and agrees to act as Paying Agent and Registrar for and in respect to the Bonds. The Trustee hereby accepts and agrees to execute the respective trusts imposed upon it by this Indenture, but only upon the express terms and conditions, and subject to the provisions hereof to all of which the parties hereto and the Owners of the Bonds agree. No implied covenants or obligations shall be read into this Indenture against the Trustee.

Section 9.02 Trustee Entitled to Indemnity.

The Trustee shall be under no obligation to institute any suit, or to undertake any proceeding hereunder, or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of the trusts hereby created or in the enforcement of any rights and powers hereunder, until it shall be indemnified to its satisfaction against any and all costs and expenses, outlays, and counsel fees and expenses and other reasonable disbursements, and against all liability except as a consequence of its own gross negligence or willful misconduct; provided, however, that absent an Event of Default, the Trustee shall not request or require indemnification as a condition to making any deposits, payments or transfers when required hereunder, or to delivering any notice when required hereunder. Nevertheless, the Trustee may begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as the Trustee, without indemnity, and in such case the Trustee may make transfers from the Administrative Expense Fund to pay all costs, fees, and expenses, outlays, and counsel fees and expenses and other reasonable disbursements properly incurred in connection therewith and shall be entitled to a preference therefor over any Bonds Outstanding hereunder.

Section 9.03 Responsibilities of the Trustee.

(a) The recitals contained herein and in the Bonds shall be taken as the statements of the City and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of this Indenture or the Bonds or with respect to the security afforded by this Indenture, and the Trustee shall incur no liability with respect thereto. Except as otherwise expressly provided in this Indenture, the Trustee shall have no responsibility or duty with respect to: (i) the issuance of Bonds for value; (ii) the application of the proceeds thereof, except to the extent that such proceeds are received by it in its capacity as Trustee; (iii) the application of any moneys paid to the City or others in accordance with this Indenture, except as to the application of any money paid to it in its capacity as Trustee; (iv) any calculation of arbitrage or rebate under the Code; (v) any loss suffered in connection with any investment of funds in accordance with this Indenture; or (vi) to undertake any other action unless specifically authorized pursuant to a City Certificate or this Indenture.

(b) The duties and obligations of the Trustee shall be determined by the express provisions hereof, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth herein. The Trustee will, prior to any Event of Default and after curing of any Event of Default, perform such duties and only such duties as are specifically set forth herein. The Trustee will, during the existence of an Event of Default, exercise such rights and powers vested in it by this Indenture and use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

The Trustee shall not be liable for any action taken or omitted by it in the performance of its duties hereunder, except for its own gross negligence or willful misconduct. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from this Indenture for the existence, furnishing or use of the Authorized Improvements.

(c) The Trustee, before the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth herein. If any Event of Default occurred and continues, the Trustee shall exercise such rights and powers hereby vested in it and shall use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs in exercising any rights or remedies or performing any of its duties hereunder.

(d) The Trustee shall not be responsible for any recital herein (except with respect to the authentication certificate of the Trustee endorsed on the Bonds) or for the recording, filing, or refiling of this Indenture in connection therewith, or for the validity of the execution by the City of this Indenture or of any Supplemental Indentures or instruments of further assurance, or for the sufficiency or security of the Bonds.

(e) The Trustee makes no representations as to the value or condition of the Trust Estate or any part thereof, or as to the validity or sufficiency of this Indenture or of the Bonds. The Trustee shall not be accountable for the use or application of any Bonds or the proceeds thereof or of any money paid to or upon the order of the City under any provision hereof.

(f) The Trustee shall not be liable for any error of judgment made in good faith by any one of its officers, unless it is established that the Trustee was negligent in ascertaining the pertinent facts.

(g) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of at least a Majority Interest of the aggregate Outstanding principal of the Bonds relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, hereunder.

(h) The Trustee shall not be required to take notice, and shall not be deemed to have notice, of any default or Event of Default unless the Trustee is notified specifically of the default or Event of Default in a written instrument or document delivered to it by the City or by an Owner of the Bonds. In the absence of delivery of a notice satisfying those requirements, the Trustee may assume conclusively that there is no Event of Default, except as noted above, unless Trustee has actual knowledge of an Event of Default.

(i) Before taking any action hereunder (other than, prior to the occurrence of an Event of Default, making any deposits, payments or transfers when required hereunder), the Trustee may require that a satisfactory indemnity be furnished to it for the payment or reimbursement of all costs and expenses (including, without limitation, attorney's fees and expenses) to which it may be put and to protect it against all liability which it may incur in or by reason of such action, except liability which it adjudicated to have resulted from its gross negligence or willful misconduct.

(j) The Trustee's immunities and protections from liability and its right to indemnification in connection with the performance of its duties under this Indenture shall extend to the Trustee's officers, directors, agents, attorneys and employees. Such immunities and protections and rights to

indemnification, together with the Trustee's right to compensation, shall survive the Trustee's resignation or removal, the discharge hereof and final payment of the Bonds.

(k) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or through agents, attorneys, or receivers, and the Trustee shall be entitled to rely and act upon the opinion or advice of its own counsel, concerning all matters of trust hereof and the duties hereunder, and may in all cases pay such reasonable compensation to all such agents, attorneys, and receivers as may reasonably be employed in connection with the trusts hereof. The Trustee shall not be responsible for any loss or damage resulting from any action or nonaction by it taken or omitted to be taken in good faith in reliance upon such opinion or advice of its own counsel.

Section 9.04 Property Held in Trust.

All moneys and securities held by the Trustee at any time pursuant to the terms of this Indenture shall be held by the Trustee in trust for the purposes and under the terms and conditions of this Indenture.

Section 9.05 Trustee Protected in Relying on Certain Documents.

The Trustee may conclusively rely upon any order, notice, request, consent, waiver, certificate, statement, affidavit, requisition, bond, or other document provided to the Trustee in accordance with the terms of this Indenture that it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper board or Person or to have been prepared and furnished pursuant to any of the provisions hereof, the Financing Agreement, the Completion Agreement, the Reimbursement Agreement, and the Development Agreement, or upon the written opinion of any counsel, architect, engineer, insurance consultant, management consultant, or accountant believed by the Trustee to be qualified in relation to the subject matter, and the Trustee shall be under no duty to make any investigation or inquiry and shall not be deemed to have knowledge into any statements contained or matters referred to in any such instrument. The Trustee may consult with counsel, who may or may not be Bond Counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered, or omitted to be taken by it in good faith and in accordance therewith. Any action taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any person who, at the time of making such request, or giving such authority or consent to the Owner of any Bond, shall be conclusive and binding upon all future owners of the same Bond and upon Bonds issued in exchange therefor and upon transfer or in place thereof.

Whenever the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under this Indenture, such matter may be deemed to be conclusively proved and established by a City Certificate, unless other evidence in respect thereof be hereby specifically prescribed. Such City Certificate shall be full warrant for any action taken or suffered in good faith under the provisions hereof, but the Trustee may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as it may deem reasonable. Except as otherwise expressly provided herein, any request, order, notice, or other direction required or permitted to be furnished pursuant to any provision hereof by the City to the Trustee shall be sufficiently executed if executed in the name of the City by the City Representative.

The Trustee shall not be under any obligation to see to the recording or filing of this Indenture, or otherwise to the giving to any Person of notice of the provisions hereof except as expressly required in Section 9.13.

Section 9.06 Compensation.

Unless otherwise provided by written contract between the Trustee and the City, the Trustee shall transfer from the Administrative Expense Fund compensation for all services rendered by it hereunder, including its services as Paying Agent and Registrar, together with all its reasonable expenses, charges, and other disbursements and those of its counsel, agents and employees, incurred in and about the administration and execution of the trusts hereby created and the exercise of its powers and the performance of its duties hereunder, upon delivery of an invoice therefor to the City, and the Trustee shall have a first lien therefor on the Administrative Expense Fund and, subject to the limitations established below, the Trust Estate as set forth below. None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if in the judgment of the Trustee there are reasonable grounds for believing that the repayment of such funds or liability is not reasonably assured to it. If the City fails to make any payment required by this Section, the Trustee may make such payment from any moneys in the Administrative Expense Fund and, to the extent the amounts on deposit in the Administrative Expense fund are insufficient to satisfy the amount owed to the Trustee for its fees and expenses, shall thereafter, and to the extent (and only to the extent) of such insufficiency, have a first lien with right of payment before payment on account of principal of or interest on any Bond, upon the Trust Estate under any provisions hereof for the foregoing reasonable advances, fees, costs, and expenses incurred. The right of the Trustee to fees, expenses, and indemnification shall survive the release, discharge, and satisfaction of this Indenture.

Section 9.07 Permitted Acts.

The Trustee and its directors, officers, employees, or agents may become the owner of or may in good faith buy, sell, own, hold and deal in Bonds and may join in any action that any Owner of Bonds may be entitled to take as fully and with the same rights as if it were not the Trustee. The Trustee may act as depository, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, the City or any committee formed to protect the rights of holders of Bonds or to effect or aid in any reorganization growing out of the enforcement of the Bonds or this Indenture, whether such committee shall represent the holders of a Majority Interest. The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty, and the Trustee shall not be answerable for other than its gross negligence or willful misconduct.

Section 9.08 Resignation of Trustee.

The Trustee may at any time resign and be discharged of its duties and obligations hereunder by giving not fewer than 30 days' written notice, specifying the date when such resignation shall take effect, to the City and each Owner of any Outstanding Bond. Such resignation shall take effect upon the appointment of a successor as provided in Section 9.10 and the acceptance of such appointment by such successor.

Section 9.09 Removal of Trustee.

The Trustee may be removed at any time by a Majority Interest by an instrument or concurrent instruments in writing signed and acknowledged by such Owners or by their attorneys-in-fact, duly authorized and delivered to the City. Copies of each such instrument shall be delivered by the City to the Trustee and any successor thereof. The Trustee may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision

of this Indenture with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of a Majority Interest.

Section 9.10 Successor Trustee.

If the Trustee resigns, is removed, is dissolved, or becomes incapable of acting, or is adjudged a bankrupt or insolvent, or if a receiver, liquidator, or conservator of the Trustee or of its property is appointed, or if any public officer takes charge or control of the Trustee or of its property or affairs, the position of the Trustee hereunder shall thereupon become vacant.

If the position of Trustee becomes vacant for any of the foregoing reasons or for any other reason, a successor Trustee may be appointed after any such vacancy occurs by a Majority Interest by an instrument or concurrent instruments in writing signed and acknowledged by such Owners or their attorneys-in-fact, duly authorized and delivered to such successor Trustee, with notification thereof being given to the predecessor Trustee and the City.

Until such successor Trustee shall have been appointed by a Majority Interest, the City shall forthwith (and in no event in excess of 30 days after the occurrence of such vacancy) appoint a Trustee to act hereunder. Copies of any instrument of the City providing for any such appointment shall be delivered by the City to the Trustee so appointed. The City shall mail notice of any such appointment to each Owner of any Outstanding Bonds within 30 days after such appointment. Any appointment of a successor Trustee made by the City immediately and without further act shall be superseded and revoked by an appointment subsequently made by the Owners of Bonds. Any duties and obligations of such predecessor Trustee shall thereafter cease and terminate and any fees and expenses then-owed to the predecessor Trustee shall be paid in full.

Any corporation or association into which the Trustee may be merged or with which it may be consolidated or any corporation or association resulting from any merger, conversion or consolidation to which it shall be a party or any corporation or association to which the Trustee may sell or transfer all or substantially all of its corporate trust business shall be the successor to such Trustee hereunder, without any further act, deed or conveyance, provided that such corporation or association shall be a commercial bank or trust company or national banking association qualified to be a successor to such Trustee pursuant to the provisions set forth herein, or a trust company that is a wholly-owned subsidiary of any of the foregoing.

If in a proper case no appointment of a successor Trustee is made within 45 days after the giving by any Trustee of any notice of resignation in accordance with Section 9.08 herein or after the occurrence of any other event requiring or authorizing such appointment, the Trustee or any Owner of Bonds may apply to any court of competent jurisdiction for the appointment of such a successor, and the court may thereupon, after such notice, if any, as the court may deem proper, appoint such successor and the City shall be responsible for the costs of such appointment process. Any duties and obligations of such predecessor Trustee shall thereafter cease and terminate, and the payment of the fees and expenses owed to the predecessor Trustee shall be paid in full.

Any successor Trustee appointed under the provisions of this Section shall be a commercial bank or trust company or national banking association (i) having a capital and surplus and undivided profit aggregating at least \$50,000,000, if there be such a commercial bank or trust company or national banking association willing and able to accept the appointment on reasonable and customary terms, and (ii) authorized by law to perform all the duties of the Trustee required by this Indenture.

Each successor Trustee shall mail, in accordance with the provisions of the Bonds, notice of its appointment to any Rating Agency which, at the time of such appointment, is providing a rating on the Bonds and each of the Owners of the Bonds.

Section 9.11 Transfer of Rights and Property to Successor Trustee.

Any successor Trustee appointed under the provisions of Section 9.10 shall execute, acknowledge, and deliver to its predecessor and the City an instrument in writing accepting such appointment, and thereupon such successor, without any further act, deed, or conveyance, shall become fully vested with all moneys, estates, properties, rights, immunities, powers, duties, obligations, and trusts of its predecessor hereunder, with like effect as if originally appointed as Trustee. However, the Trustee then ceasing to act shall nevertheless, on request of the City or of such successor and upon payment of its costs hereunder, execute, acknowledge, and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor all the rights, immunities, powers, and trusts of such Trustee and all the right, title, and interest of such Trustee in and to the Trust Estate, and shall pay over, assign, and deliver to such successor any moneys or other properties subject to the trusts and conditions herein set forth. Should any deed, conveyance, or instrument in writing from the City be required by such successor for more fully and certainly vesting in and confirming to it any such moneys, estates, properties, rights, powers, duties, or obligations, any and all such deeds, conveyances, and instruments in writing, on request and so far as may be authorized by law, shall be executed, acknowledged, and delivered by the City.

Section 9.12 Merger, Conversion or Consolidation of Trustee.

Any corporation or association into which the Trustee may be merged or with which it may be consolidated or any corporation or association resulting from any merger, conversion or consolidation to which it shall be a party or any corporation or association to which the Trustee may sell or transfer all or substantially all of its corporate trust business shall be the successor to such Trustee hereunder, without any further act, deed or conveyance, provided that such corporation or association shall be a commercial bank or trust company or national banking association qualified to be a successor to such Trustee under the provisions of Section 9.10, or a trust company that is a wholly-owned subsidiary of any of the foregoing.

Section 9.13 Security Interest in Trust Estate.

Chapter 1208 applies to the issuance of the Bonds and the pledge of the Trust Estate provided for herein, and such pledge is, under current law, valid, effective and perfected. If and when Applicable Laws If and when State law is amended at any time while the Bonds are Outstanding such that the pledge of the Trust Estate hereunder granted by the City is to be subject to the filing requirements of Chapter 9, the City has covenanted and agreed in Section 2.01(d) to cause to be filed all appropriate initial financing statements to ensure that the Trustee (for the benefit of the Owners of the Bonds) is granted a valid and perfected first priority lien on the entire Trust Estate to comply with the applicable provisions of Chapter 9 and enable a filing to perfect the security interest in said pledge to occur. Nothing herein shall obligate the Trustee to file any initial financing statements; however, upon the City's timely delivery of a copy of any such filed initial financing statement to the Trustee, the Trustee shall file continuation statements in conclusive reliance upon such initial financing statement(s) in the same jurisdictions as the initial financing statement(s) previously provided to the Trustee.

Section 9.14 Offering Documentation.

The Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum, or any other disclosure material prepared or distributed with respect to the Bonds and shall have no responsibility for compliance with any State or federal securities laws in connection with the Bonds.

Section 9.15 Expenditure of Funds and Risk.

None of the provisions hereof shall require the Trustee to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder, or in the exercise of its rights or powers if the Trustee shall have reasonable grounds for believing that the repayment of such funds or indemnity against such risk or liability is not assured.

Section 9.16 Accounts, Periodic Reports and Certificates.

(a) On the City's behalf, and so long as any Bonds remain Outstanding, the Trustee shall keep, separate and apart from all other records and accounts, full and proper books of record and accounts, including the Register, in which full, true and proper entries will be made of all dealing, business and affairs that relate to the Pledged Revenues, the Funds and Accounts hereunder created and maintained, and the Bonds. Such books and records shall at all times during the Trustee's regular business hours be subject to inspection by the City and the Owner or Owners of not less than 10% in principal amount of any Bonds then Outstanding or their representatives (as duly authorized in writing).

(b) The Trustee will, on a monthly basis, furnish the City and the Developer statements of all cash transactions, which include (but are not limited to) detail for all investment transactions made by the Trustee under Section 6.13, and statements of balances of all Funds and Accounts.

(c) The Trustee shall have no responsibility with respect to the financial and other information received by it except to receive and retain same, subject to the Trustee's document retention policies, and to distribute the same in accordance with the provisions hereof this Indenture. Specifically (but without limitation), the Trustee shall have no duty to review such information, is not considered to have notice of the contents of such information or a default based on such contents, and has no duty to verify the accuracy of such information.

Section 9.17 Construction of Indenture.

The Trustee may construe any of the provisions of this Indenture insofar as the same may appear to be ambiguous or inconsistent with any other provision hereof, and any construction of any such provisions hereof by the Trustee in good faith shall be binding upon the Owners of the Bonds.

Section 9.18 No Israel Boycott.

To the extent this Indenture constitutes a contract for goods or services for which a written verification is required under Section 2271.002, Texas Government Code, the Trustee hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and will not boycott Israel during the term of this Indenture. The foregoing verification is made solely to enable the City to comply with such Section and to the extent such Section does not contravene applicable Federal law or the Texas Constitution. As used in the foregoing verification,

'boycott Israel,' a term defined in Section 2271.001, Texas Government Code, by reference to Section 808.001(1), Texas Government Code, means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. The Trustee understands 'affiliate' to mean an entity that controls, is controlled by, or is under common control with the Trustee and exists to make a profit.

Section 9.19 Trustee Not a Designated Terrorist Organization.

The Trustee represents that neither it nor any of its respective parent companies, wholly- or majority-owned subsidiaries, and other affiliates, if any, is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer's internet website:

<https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf>,
<https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or
<https://comptroller.texas.gov/purchasing/docs/fto-list.pdf>.

The foregoing representation is made solely to enable the City to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal law and or the Texas Constitution excludes the Trustee and any of its respective parent companies, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. The Trustee understands "affiliate" to mean any entity that controls, is controlled by, or is under common control with the Trustee and exists to make a profit.

Section 9.20 Verification Regarding Energy Company Boycotts.

To the extent this Indenture constitutes a contract for goods or services for which a written verification statement is required under Section 2274.002 (as added by Senate Bill 13 in the 87th Texas Legislative Session), Texas Government Code, as amended, the Trustee hereby verifies that it and its parent company, wholly- or majority- owned subsidiaries, and other affiliates, if any, do not boycott energy companies and, will not boycott energy companies during the term of this Indenture. The foregoing verification is made solely to enable the City to comply with such Section and to the extent such Section does not contravene applicable federal law or the Texas Constitution. As used in the foregoing verification, "boycott energy companies," a term defined in Section 2274.001(1), Texas Government Code (as enacted by such Senate Bill) by reference to Section 809.001, Texas Government Code (also as enacted by such Senate Bill), shall mean, without an ordinary business purpose, refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations with a company because the company (A) engages in the exploration, production, utilization, transportation, sale, or manufacturing of fossil fuel-based energy and does not commit or pledge to meet environmental standards beyond applicable federal and state law; or (B) does business with a company described by (A) above. The Trustee understands "affiliate" to mean an entity that controls, is controlled by, or is under common control with the Trustee and exists to make a profit.

Section 9.21 Verification Regarding Discrimination Against Firearm Entity or Trade Association.

To the extent this Indenture constitutes a contract for goods or services for which a written verification statement is required under Section 2274.002 (as added by Senate Bill 19 in the 87th Texas Legislature, Regular Session), Texas Government Code, as amended, the Trustee hereby verifies that it and its parent company, wholly- or majority- owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not discriminate against a firearm entity or firearm trade association during the term of this Indenture. The foregoing verification is made solely to enable the City to comply with such Section and to the extent such Section does not contravene applicable Federal law or the Texas Constitution.

As used in the foregoing verification and the following definitions,

(a) 'discriminate against a firearm entity or firearm trade association,' a term defined in Section 2274.001(3), Texas Government Code (as enacted by such Senate Bill), (A) means, with respect to the firearm entity or firearm trade association, to (i) refuse to engage in the trade of any goods or services with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association, (ii) refrain from continuing an existing business relationship with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association, or (iii) terminate an existing business relationship with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association and (B) does not include (i) the established policies of a merchant, retail seller, or platform that restrict or prohibit the listing or selling of ammunition, firearms, or firearm accessories and (ii) a company's refusal to engage in the trade of any goods or services, decision to refrain from continuing an existing business relationship, or decision to terminate an existing business relationship (aa) to comply with federal, state, or local law, policy, or regulations or a directive by a regulatory agency or (bb) for any traditional business reason that is specific to the customer or potential customer and not based solely on an entity's or association's status as a firearm entity or firearm trade association,

(b) 'firearm entity,' a term defined in Section 2274.001(6), Texas Government Code (as enacted by such Senate Bill), means a manufacturer, distributor, wholesaler, supplier, or retailer of firearms (defined in Section 2274.001(4), Texas Government Code, as enacted by such Senate Bill, as weapons that expel projectiles by the action of explosive or expanding gases), firearm accessories (defined in Section 2274.001(5), Texas Government Code, as enacted by such Senate Bill, as devices specifically designed or adapted to enable an individual to wear, carry, store, or mount a firearm on the individual or on a conveyance and items used in conjunction with or mounted on a firearm that are not essential to the basic function of the firearm, including detachable firearm magazines), or ammunition (defined in Section 2274.001(1), Texas Government Code, as enacted by such Senate Bill, as a loaded cartridge case, primer, bullet, or propellant powder with or without a projectile) or a sport shooting range (defined in Section 250.001, Texas Local Government Code, as a business establishment, private club, or association that operates an area for the discharge or other use of firearms for silhouette, skeet, trap, black powder, target, self-defense, or similar recreational shooting), and

(c) 'firearm trade association,' a term defined in Section 2274.001(7), Texas Government Code (as enacted by such Senate Bill), means any person, corporation, unincorporated association, federation, business league, or business organization that (i) is not organized or operated for profit (and none of the net earnings of which inures to the benefit of any private shareholder or individual), (ii) has two or more firearm entities as members, and (iii) is exempt from federal income taxation under Section 501(a), Internal Revenue Code of 1986, as an organization described by Section 501(c) of that code.

The Trustee understands “affiliate” to mean an entity that controls, is controlled by, or is under common control with the Trustee and exists to make a profit.

ARTICLE X. MODIFICATION OR AMENDMENT OF THIS INDENTURE

Section 10.01 Amendments Permitted.

This Indenture and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Indenture, except as provided below, pursuant to the affirmative vote at a meeting of Owners of the Bonds, or with the written consent without a meeting, of a Majority Interest. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the principal of or interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, (ii) permit the creation by the City of any pledge or lien upon the Trust Estate superior to the pledge and lien created for the benefit of the Bonds, (iii) except as otherwise permitted by this Indenture, permit the creation by the City of any pledge or lien upon the Trust Estate on a parity with the pledge and lien created for the benefit of the Bonds, or (iv) reduce the percentage of Bonds required for the amendment hereof. Any such amendment may not modify any of the rights or obligations of the Trustee without its written consent.

This Indenture and the rights and obligations of the City and of the Owners may also be modified or amended at any time by a Supplemental Indenture, without the consent of any Owners, only to the extent permitted by Applicable Laws and only for any one or more of the following purposes:

(a) to add to the covenants and agreements of the City in this Indenture contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power herein reserved to or conferred upon the City;

(b) to make modifications not adversely affecting any Outstanding Bonds in any respect;

(c) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Indenture, or in regard to questions arising under this Indenture, as the City may deem necessary or desirable and not inconsistent with this Indenture, and that shall not adversely affect the rights of the Owners of the Bonds;

(d) to authorize the issuance of a Series of Additional Bonds or Refunding Bonds, respectively, in accordance with the provisions of Section 7.03 (for the purpose of this subsection 10.01(d), a Supplemental Indenture includes an amendment and restatement of this Indenture); and

(e) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest on the Bonds.

No Supplemental Indenture under this Section shall be effective unless the City first delivers to the Trustee an opinion of Bond Counsel to the effect that the effectiveness of such Supplemental Indenture will not adversely affect, in any respect, the (i) interests of the Owners enjoyed hereunder (as the same may have been amended or modified by a separate Supplemental Indenture) prior to the effectiveness of such subject Supplemental Indenture and (ii) exclusion of interest on any Bond from gross income for purposes of federal income taxation.

Section 10.02 Owners' Meetings.

The City may at any time call a meeting of the Owners of the Bonds. In such event, the City is authorized to fix the time and place of said meeting and to provide for the giving of notice thereof, and to fix and adopt rules and regulations for the conduct of said meeting.

Section 10.03 Procedure for Amendment with Written Consent of Owners.

To the extent that such amendment is permitted by Section 10.01, the City and the Trustee may at any time adopt a Supplemental Indenture amending the provisions of the Bonds or of this Indenture, such Supplemental Indenture to take effect when and as provided in this Section.

A copy of such Supplemental Indenture, together with a request to Owners for their consent thereto (as and if applicable), shall be mailed by first class mail, by the Trustee to each Owner of Bonds from whom consent is required, but failure to mail copies of such Supplemental Indenture and request shall not affect the validity of the Supplemental Indenture when assented to as in this Section provided.

Such Supplemental Indenture shall not become effective unless there shall be filed with the Trustee the written consents of the Owners as required hereunder and a notice shall have been mailed as hereinafter in this Section provided. Each consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by Section 13.03. Any such consent shall be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof), unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trustee prior to the date when the notice hereinafter in this Section provided for has been mailed.

After the Owners of the required percentage of Bonds have filed their consents to the effectiveness of the Supplemental Indenture, the City shall mail a notice to the Owners in the manner hereinbefore provided for the mailing of the Supplemental Indenture, stating in substance that the Supplemental Indenture has been consented to by the Owners of the required percentage of Bonds and will be effective as herein provided (but failure to mail copies of said notice shall not affect the validity of the Supplemental Indenture or consents thereto). Proof of the mailing of such notice shall be filed with the Trustee. A record, consisting of the papers required by this Section to be filed with the Trustee, shall be proof of the matters therein stated until the contrary is proved. The Supplemental Indenture shall become effective upon the filing with the Trustee of the proof of mailing of such notice, and the Supplemental Indenture shall be deemed conclusively binding (except as otherwise hereinabove specifically provided) upon the City and the Owners of all Bonds at the expiration of 45 days after such filing, except in the event of a final decree of a Council of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such 45 day period; provided, however, that the Trustee during such 45 day period and any such further period during which any such action or proceeding may be pending shall be entitled in its sole discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Indenture as it may deem expedient.

Section 10.04 Effect of Supplemental Indenture.

From and after the time any Supplemental Indenture becomes effective pursuant to this Article X, this Indenture shall be deemed to be modified and amended in accordance therewith, the respective

rights, duties, and obligations under this Indenture of the City, the Trustee and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 10.05 Endorsement or Replacement of Bonds Issued After Amendments.

The City may determine that Bonds issued and delivered after the effective date of any action taken as provided in this Article X shall bear a notation, by endorsement or otherwise, in form approved by the City, as to such action. In that case, upon demand of the Owner of any Bond Outstanding at such effective date and presentation of his Bond for that purpose at the designated office of the Trustee or at such other office as the City may select and designate for that purpose, a suitable notation shall be made on such Bond. The City may determine that new Bonds, so modified as in the opinion of the City is necessary to conform to such Owners' action, shall be prepared, executed, and delivered. In that case, upon demand of the Owner of any Bonds then Outstanding, such new Bonds shall be exchanged at the designated office of the Trustee without cost to any Owner, for Bonds then Outstanding, upon surrender of such Bonds.

Section 10.06 Amendatory Endorsement of Bonds.

The provisions of this Article X shall not prevent any Owner from accepting any amendment as to the particular Bonds held by such Owner, provided that due notation thereof is made on such Bonds.

Section 10.07 Waiver of Default.

Subject to the second and third sentences of Section 10.01, with the written consent of a Majority Interest, the Owners may waive compliance by the City with certain past defaults under the Indenture and their consequences. Any such consent shall be conclusive and binding upon the Owners and upon all future Owners. For the avoidance of doubt, any waiver given pursuant to this Section shall be subject to Section 11.05.

Section 10.08 Execution of Supplemental Indenture.

In executing, or accepting the additional trusts created by, any Supplemental Indenture permitted by this Article or the modification thereby of the trusts hereby created, the Trustee shall receive, and shall be fully protected in relying upon, an opinion of Bond Counsel addressed and delivered to the Trustee and the City stating that the execution of such Supplemental Indenture is permitted hereby and compliant herewith. The Trustee may, but shall not be obligated to, enter into any Supplemental Indenture which affects the Trustee's own rights, duties and immunities under this Indenture or otherwise.

No Supplemental Indenture shall modify any of the rights or obligations of the Trustee without its written consent. In executing or accepting any Supplemental Indenture, the Trustee shall be fully protected in relying upon an opinion of nationally recognized bond counsel engaged by the Trustee and addressed and delivered to the Trustee stating that (a) the execution of the Supplemental Indenture is permitted hereby and compliant herewith, (b) the execution and delivery thereof will not adversely affect the exclusion from federal gross income of the interest on the Bonds, and (c) such Supplemental Indenture will, upon the execution and delivery thereof, represent a valid and binding obligation of the City.

ARTICLE XI. DEFAULT AND REMEDIES

Section 11.01 Events of Default.

Each of the following occurrences or events shall be and is hereby declared to be an “Event of Default”:

(a) The failure of the City to deliver Assessment Revenues to the Trustee for deposit pursuant to Section 6.03;

(b) The failure of the City to enforce the collection of the Assessments (including prosecution of foreclosure proceedings) pursuant to Section 7.01;

(c) The failure to make payment of the principal of or interest on any of the Bonds when the same becomes due and payable; and

(d) Default in the performance or observance of any other covenant, agreement or obligation of the City hereunder and the continuation thereof for a period of 90 days after written notice to the City by the Trustee, or by a Majority Interest with a copy to the Trustee, specifying such default and requesting that the failure be remedied.

Section 11.02 Immediate Remedies for Default.

(a) Subject to Article VIII, upon the happening and continuance of any one or more of the Events of Default described in Section 11.01, the Trustee may, and at the written direction of a Majority Interest and its receipt of indemnity satisfactory to it shall, proceed against the City for the purpose of protecting and enforcing the rights of the Owners hereunder, by action seeking mandamus or by other suit, action, or special proceeding in equity or at law, in any Council of competent jurisdiction, for any relief to the extent hereby permitted or by Applicable Laws, including (but not limited to) the specific performance of any covenant or agreement contained herein, or injunction; provided, however, that any action for money damages against the City shall be limited in recovery to the assets of the Trust Estate (including the Pledged Revenues and amounts from time to time on deposit and then-held in the Pledged Funds and Accounts). The Trustee retains the right to obtain the advice of counsel in its exercise of remedies for default.

(b) AS PROVIDED IN SECTION 11.06, THE PRINCIPAL OF THE BONDS SHALL NOT BE SUBJECT TO ACCELERATION UNDER ANY CIRCUMSTANCES.

(c) If the assets of the Trust Estate are sufficient to pay all amounts due with respect to all then-Outstanding Bonds and to pay all other amounts due hereunder and in connection herewith, in the selection of Trust Estate assets to be used in the payment of Bonds due under this Article, the City shall determine, in its absolute discretion, and shall instruct the Trustee by City Certificate, which Trust Estate assets shall be applied to such payment and shall not be liable to any Owner or other Person by reason of such selection and application. In the event that the City shall fail to deliver to the Trustee such City Certificate, the Trustee shall select and liquidate or sell Trust Estate assets as provided in the following paragraph, and shall not be liable to any Owner, or other Person, or the City by reason of such selection, liquidation or sale. The Trustee shall have no liability for its selection of Trust Estate assets to liquidate or sell.

(d) Whenever moneys are to be applied pursuant to this Article XI, irrespective of and whether other remedies authorized hereunder shall have been pursued in whole or in part, the Trustee may cause any or all of the assets of the Trust Estate (including Authorized Investment), to be sold. The Trustee may so sell the assets of the Trust Estate and all right, title, interest, claim and demand thereto and the right of redemption thereof, in one or more parts, at any such place or places, and at such time or times and upon such notice and terms as the Trustee may deem appropriate and as may be required by law and apply the proceeds thereof in accordance with the provisions of this Section. Upon such sale, the Trustee may make and deliver to the purchaser or purchasers a good and sufficient assignment or conveyance for the same, which sale shall be a perpetual bar both at law and in equity against the City, and all other Persons claiming such properties. No purchaser at any sale shall be bound to see to the application of the purchase money proceeds thereof or to inquire as to the authorization, necessity, expediency, or regularity of any such sale. Nevertheless, if so requested by the Trustee, the City shall ratify and confirm any sale or sales by executing and delivering to the Trustee or to such purchaser or purchasers all such instruments as may be necessary or, in the judgment of the Trustee, proper for the purpose which may be designated in such request. The Trustee shall have no liability for its selection of Trust Estate assets to liquidate or sell.

Section 11.03 Restriction on Owner's Action.

(a) No Owner shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement hereof or for the execution of any trust thereof or any other remedy hereunder, unless (i) a default has occurred and is continuing of which the Trustee has been notified in writing, (ii) such default has become an Event of Default and a Majority Interest have made written request to the Trustee and offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, (iii) the Owners have furnished to the Trustee indemnity as provided in Section 9.02, (iv) the Trustee has for 60 days after such notice failed or refused to exercise the powers hereinbefore granted, or to institute such action, suit, or proceeding in its own name, (v) no written direction inconsistent with such written request has been given to the Trustee during such 60-day period by a Majority Interest, and (vi) notice of such action, suit, or proceeding is given to the Trustee in writing; however, all proceedings at law or in equity shall be instituted and maintained in the manner provided herein and for the equal benefit of the Owners of all Bonds then Outstanding. The notification, request and furnishing of indemnity set forth above shall, at the option of the Trustee, as advised by counsel, be conditions precedent to the execution of the powers and trusts of this Indenture and to any action or cause of action for the enforcement hereof or for any other remedy hereunder.

(b) Subject to Article VIII, nothing herein shall affect or impair the right of any Owner to enforce payment of any Bond at and after the maturity thereof, or on the date fixed for redemption or the obligation of the City to pay each Bond issued hereunder to the respective Owners thereof at the time and place, from the source and in the manner expressed herein and in the Bonds.

(c) In case the Trustee or any Owners shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or any Owners, then and in every such case the City, the Trustee and the Owners shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Section 11.04 Application of Revenues and Other Moneys After Default.

(a) All moneys, securities, funds and Pledged Revenues, the Pledged Funds and Accounts, or other assets of the Trust Estate and the income therefrom received by the Trustee pursuant to any right given or action taken under the provisions of this Article shall, after payment of the cost and expenses of the proceedings resulting in the collection of such amounts, the expenses (including its counsel fees, costs, and expenses), liabilities, and advances incurred or made by the Trustee and the fees of the Trustee in carrying out this Indenture, during the continuance of an Event of Default, notwithstanding Section 11.02 hereof, shall be applied by the Trustee, on behalf of the City, to the payment of interest and principal or Redemption Price then due on Bonds, as follows:

First, to the payment to the Owners entitled thereto all installments of interest then due in the direct order of maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the Owners entitled thereto, without any discrimination or preference; and

Second, to the payment to the Owners entitled thereto of the unpaid principal of Outstanding Bonds, or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the direct order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due and to the Owners entitled thereto, without any discrimination or preference.

Within 10 days of receipt of such good and available funds, the Trustee may fix a record and payment date for any payment to be made to Owners pursuant to this Section 11.04.

(b) In the event funds are not adequate to cure any of the Events of Default described in Section 11.01, the available funds shall be allocated to the Bonds that are Outstanding in proportion to the quantity of Bonds that are currently due and in default under the terms hereof.

(c) The restoration of the City to its prior position after any and all defaults have been cured, as provided in Section 11.03, shall not extend to or affect any subsequent default hereunder or impair any right consequent thereon.

Section 11.05 Effect of Waiver.

No delay or omission of the Trustee or any Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given to the Trustee or the Owners, respectively, may be exercised from time to time and as often as may be deemed expedient.

The Trustee, if previously directed in writing by a Majority Interest, shall waive any Event of Default hereunder and its consequences and rescind any declaration of maturity of principal of and interest, if any, on Bonds.

Section 11.06 No Acceleration.

In the event of the occurrence of an Event of Default under Section 11.01, the right of acceleration of any Stated Maturity is not granted as a remedy hereunder and the right of acceleration under this Indenture is expressly denied.

Section 11.07 Mailing of Notice.

Any provision in this Article for the mailing of a notice or other document to Owners shall be fully complied with if it is mailed, first class postage prepaid, only to each Owner at the address appearing upon the Register.

Section 11.08 Exclusion of Bonds.

Bonds owned or held by or for the account of the City shall be promptly delivered to the Trustee and cancelled. Such Bonds will not be deemed Outstanding for any purpose, including without limitation, the purpose of consent or other action or any calculation of Outstanding Bonds provided for herein, and the City shall not be entitled with respect to such Bonds to give any consent or take any other action provided for herein.

Section 11.09 Remedies Not Exclusive.

No remedy herein conferred upon or reserved to the Trustee or to the Owners is intended to be exclusive of any other remedy and each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity, by statute or by contract.

Section 11.10 Direction by Owners.

Anything herein to the contrary notwithstanding, a Majority Interest shall have the right by an instrument in writing executed and delivered to the Trustee, to direct the choice of remedies and the time, method and place of conducting any proceeding for any remedy available to the Trustee hereunder, under each Supplemental Indenture or otherwise, or exercising any trust or power conferred upon the Trustee, including the power to direct or withhold directions with respect to any remedy available to the Trustee or the Owners, provided, (a) such direction shall not be otherwise than in accordance with Applicable Laws and the provisions hereof, (b) that the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and (c) that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Owners not parties to such direction.

ARTICLE XII. PAYMENT AND CANCELLATION OF THE BONDS AND SATISFACTION OF THE INDENTURE

Section 12.01 Trust Irrevocable.

The trust created by the terms and provisions hereof is irrevocable until the Bonds secured hereby are fully paid or provision is made for their payment as provided in this Article.

Section 12.02 Satisfaction of Indenture.

If the City shall pay or cause to be paid, or there shall otherwise be paid to the Owners, principal of and interest on all of the Bonds, at the times and in the manner herein stipulated, and all amounts due and owing with respect to the Bonds have been paid or provided for, then the pledge of the Trust Estate and all covenants, agreements, and other obligations of the City to the Owners of such Bonds, shall thereupon cease, terminate, and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the City copies of all such documents as it may have evidencing that principal of and interest on all of the Bonds has been paid so that the City may determine if the Indenture is satisfied; if so, the Trustee shall pay over or deliver all moneys held by it in the Funds and Accounts held hereunder to the Person entitled to receive such amounts, or, if no Person is entitled to receive such amounts, then to the City.

Section 12.03 Bonds Deemed Paid.

All Outstanding Bonds shall prior to the Stated Maturity or redemption date thereof be deemed to have been paid and to no longer be deemed Outstanding if (a) in case any such Bonds are to be redeemed on any date prior to their Stated Maturity, the Trustee shall have given notice of redemption on said date as provided herein, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and the interest on which when due will provide moneys which, together with any moneys deposited with the Trustee at the same time, shall be sufficient to pay when due the principal of and interest on of the Bonds to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, (c) the Trustee shall have received a report by an independent certified public accountant selected by the City verifying the sufficiency of the moneys or Defeasance Securities deposited with the Trustee to pay when due the principal of and interest on of the Bonds to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, (d) if the Bonds are then rated, the Trustee shall have received written confirmation from each Rating Agency that such deposit will not result in the reduction or withdrawal of the rating on the Bonds, and (e) the Trustee shall have received an opinion of Bond Counsel to the effect that (i) any Bond having been deemed to have been paid as provided in this Section is no longer Outstanding hereunder and is no longer secured by or entitled to the benefits of this Indenture, (ii) such defeasance is in accordance with the terms hereof, and (iii) such defeasance will not adversely affect the exclusion of interest on such Bond from gross income for purposes of federal income taxation. Neither Defeasance Securities nor money deposited with the Trustee pursuant to this Section, nor principal or interest payments on any such Defeasance Securities, shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on the Bonds. Any cash received from such principal of and interest on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall be reinvested in Defeasance Securities as directed in writing by the City maturing at times and in amounts sufficient to pay when due the principal of and interest on the Bonds on and prior to such redemption date or maturity date thereof, as the case may be. Any payment for Defeasance Securities purchased for the purpose of reinvesting cash as aforesaid shall be made only against delivery of such Defeasance Securities.

ARTICLE XIII. MISCELLANEOUS

Section 13.01 Benefits of Indenture Limited to Parties.

Nothing in this Indenture, expressed or implied, is intended to give to any Person other than the City, the Trustee and the Owners, any right, remedy, or claim under or by reason of this Indenture. Any

covenants, stipulations, promises or agreements in this Indenture by and on behalf of the City shall be for the sole and exclusive benefit of the Owners and the Trustee.

Section 13.02 Trustee Consent Under Completion Agreement.

Until revoked by action of a Majority Interest, the City's approval of or consent to any amendment, extension, supplement, or modification to or waiver under the Completion Agreement shall constitute the Trustee's approval or consent, on behalf of the Owners of the Bonds, to the same. When executing such an approval or consent, the Trustee may rely on the City's execution thereof as evidence of the City's approval of the same.

Section 13.03 Evidence of Ownership of Bonds.

(a) Any request, consent, revocation of consent or other instrument which this Indenture may require or permit to be signed and executed by the Owners of Bonds may be in one or more instruments of similar tenor, and shall be signed or executed by such Owners in person or by their attorneys duly appointed in writing. Proof of the execution of any such instrument, or of any instrument appointing any such attorney, or the holding by any Person of the Bonds shall be sufficient for any purpose of this Indenture (except as otherwise herein expressly provided) if made in the following manner:

(1) The fact and date of the execution of such instruments by any Owner of Bonds or the duly appointed attorney authorized to act on behalf of such Owner may be provided by a guarantee of the signature thereon by a bank or trust company or by the certificate of any notary public or other officer authorized to take acknowledgments of deeds, that the Person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. Where such execution is by an officer of a corporation or association or a member of a partnership, on behalf of such corporation, association or partnership, such signature guarantee, certificate, or affidavit shall also constitute sufficient proof of such authority.

(2) The ownership of Bonds and the amount, numbers and other identification and date of holding the same shall be proved by the Register.

(b) Except as otherwise provided in this Indenture with respect to revocation of a consent, any request or consent by an Owner of Bonds shall bind all future Owners of the same Bonds in respect of anything done or suffered to be done by the City or the Trustee in accordance therewith.

Section 13.04 Successor is Deemed Included in All References to Predecessor.

Whenever in this Indenture or any Supplemental Indenture either the City or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the City or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 13.05 Execution of Documents and Proof of Ownership by Owners.

Any request, declaration, or other instrument which this Indenture may require or permit to be executed by Owners may be in one or more instruments of similar tenor and shall be executed by Owners in person or by their attorneys duly appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Owner or his attorney of such request, declaration, or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the Person signing such request, declaration, or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

Except as otherwise herein expressly provided, the ownership of registered Bonds and the amount, maturity, number, and date of holding the same shall be proved by the Register.

Any request, declaration or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by the City or the Trustee in good faith and in accordance therewith.

Section 13.06 Waiver of Personal Liability.

No member, officer, agent, or employee of the City shall be individually or personally liable for the payment of the principal of, or interest or any premium on, the Bonds; but nothing herein contained shall relieve any such member, officer, agent, or employee from the performance of any official duty provided by law.

Section 13.07 Notices to and Demands on City and Trustee.

(a) Except as otherwise expressly provided in this Indenture, all notices or other instruments required or permitted under this Indenture, including any City Certificate or City Certificate, shall be in writing and shall be delivered by hand, mailed by first class mail, postage prepaid, or transmitted by facsimile or e-mail and addressed as follows:

If to the City: City of Sinton, Texas
301 E. Market
Sinton, Texas 78387
Attn: City Manager
Fax No.: 361.364.3781
Email: sintonmanager@sintontexas.org

With copy to: McCall, Parkhurst & Horton L.L.P.
Attn: Clay Binford
112 Pecan Street, Suite 1310
San Antonio, Texas 78205
Fax No.: 210.225.2094
Email: cbinford@mphlegal.com

If to the Trustee or the
Paying Agent/Registrar: UMB Bank, N.A.
Attn: Anne-Marie Hansen
6034 West Courtyard Drive, Suite 370
Austin, Texas 78730
Fax No.: 512.582.5855
Email: anne-marie.hansen@umb.com

Any such notice, demand, or request may also be transmitted to the appropriate party by telephone and shall be deemed to be properly given or made at the time of such transmission if, and only if, such transmission of notice shall be confirmed in writing and sent as specified above.

Any of such addresses may be changed at any time upon written notice of such change given to the other party by the party effecting the change. Notices and consents given by mail in accordance with this Section shall be deemed to have been given five Business Days after the date of dispatch; notices and consents given by any other means shall be deemed to have been given when received.

(b) The Trustee shall mail to each Owner of a Bond notice of (i) any substitution of the Trustee; or (ii) the redemption or defeasance of all Bonds Outstanding.

The parties agree that the transaction described herein may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files, and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action, or suit in the appropriate court of law. The Trustee agrees to accept and act upon instructions or directions pursuant to this Indenture sent by unsecured e-mail, facsimile transmission, or other similar unsecured electronic methods; provided, however, that the City shall provide to the Trustee an incumbency certificate listing designated persons authorized to provide such instructions, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If the City elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method), the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The City agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

Section 13.08 Partial Invalidity; Severability.

If any Section, paragraph, sentence, clause, or phrase of this Indenture shall for any reason be held illegal or unenforceable, such holding shall not affect the validity of the remaining portions of this Indenture. The City hereby declares that it would have adopted this Indenture and each and every other Section, paragraph, sentence, clause, or phrase hereof and authorized the issue of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Indenture may be held illegal, invalid, or unenforceable.

Section 13.09 Applicable Laws.

This Indenture shall be governed by and enforced in accordance with the laws of the State applicable to contracts made and performed in the State.

Section 13.10 Counterparts.

This Indenture may be executed in counterparts, each of which shall be deemed an original.

* * *

IN WITNESS WHEREOF, the City and the Trustee have caused this Indenture of Trust to be executed all as of the date hereof.

UMB BANK, N.A., as Trustee

By: _____

Name: _____

Title: _____

CITY OF SINTON, TEXAS

By: _____

Name: Edward Adams _____

Title: Mayor _____

ATTEST:

City Secretary

[CITY SEAL]

EXHIBIT A

FORM OF BONDS

(a) Form of Series 2022 Bond.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, THE CITY, OR ANY OTHER POLITICAL CORPORATION, SUBDIVISION OR AGENCY THEREOF, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THIS SERIES 2022 BOND.

REGISTERED
No. _____

REGISTERED
\$ _____

United States of America
State of Texas

CITY OF SINTON, TEXAS
SPECIAL ASSESSMENT REVENUE BOND, SERIES 2022
(SOMERSET PUBLIC IMPROVEMENT DISTRICT NO. 1)

INTEREST RATE MATURITY DATE DATE OF DELIVERY CUSIP NUMBER

City of Sinton, Texas (the *City*) for value received, hereby promises to pay, solely from the Trust Estate, to _____ or registered assigns, on the Maturity Date, as specified above, the sum of _____ DOLLARS AND NO/100 (\$ _____), unless this Series 2022 Bond shall have been sooner called for redemption and the payment of the principal hereof shall have been paid or provision for such payment shall have been made, and to pay interest on the unpaid principal amount hereof from the later of the Date of Delivery, as specified above, or the most recent Interest Payment Date (defined below) to which interest has been paid or provided for until such principal amount shall have been paid or provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually on March 1 and September 1 of each year and continuing until maturity or prior redemption (each, an *Interest Payment Date*), commencing September 1, 2022.

Capitalized terms appearing herein that are defined terms in the hereinafter-defined Indenture, have the meanings assigned to them in the Indenture. Reference is made to the Indenture for such definitions and for all other purposes.

The principal of this Series 2022 Bond shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Series 2022 Bond at the corporate trust office in Austin, Texas (the *Designated Payment/Transfer Office*), of UMB Bank, N.A., as trustee and paying agent/registrars (the *Trustee*, which term includes any successor trustee under the Indenture), or, with respect to a successor trustee and paying agent/registrars, at the Designated Payment/Transfer Office of such successor. Interest on this Series 2022 Bond is payable by check dated as of the Interest Payment Date, mailed by the Trustee to the registered owner at the address shown on the registration books kept by the Trustee or by such other customary banking arrangements acceptable to the Trustee, requested by, and at the risk and expense of, the Person to whom interest is to be paid. For

the purpose of the payment of interest on this Series 2022 Bond, the registered owner shall be the Person in whose name this Series 2022 Bond is registered at the close of business on the "Record Date," which shall be the 15th day of the month next preceding such Interest Payment Date; provided, however, that in the event of nonpayment of interest on a scheduled Interest Payment Date that continues for 30 days or more thereafter, a new record date for such interest payment (a *Special Record Date*) will be established by the Trustee, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the *Special Payment Date*, which shall be 15 days after the Special Record Date) shall be sent at least five Business Days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Owner of a Series 2022 Bond appearing on the Register at the close of business on the last Business Day preceding the date of mailing such notice.

If a date for the payment of the principal of or interest on the Series 2022 Bonds is a Saturday, Sunday, legal holiday, or a day on which banking institutions in the county in which the Designated Payment/Transfer Office is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding Business Day, and payment on such date shall have the same force and effect as if made on the original date payment was due.

This Series 2022 Bond is one of a duly authorized issue of assessment revenue bonds of the City in the aggregate principal amount of \$_____ and having the designation specified in its title (herein referred to as the *Series 2022 Bonds*), dated January 1, 2022 and issued, with the limitations described herein, pursuant to an Indenture of Trust, dated as of January 1, 2022 (the *Indenture*), by and between the City and the Trustee, to which Indenture reference is hereby made for a description of the amounts thereby pledged and assigned, the nature and extent of the lien and security, the respective rights thereunder to the holders of the Series 2022 Bonds, the Trustee, and the City, and the terms upon which the Series 2022 Bonds are, and are to be, authenticated and delivered and by this reference to the terms of which each holder of this Series 2022 Bond hereby consents. All Bonds issued under the Indenture are equally and ratably secured by the amounts thereby pledged and assigned. The Series 2022 Bonds are being issued for the purpose of (i) paying a portion of the Actual Costs of Authorized Improvements, (ii) paying interest on the Series 2022 Bonds during and after the period of acquisition and construction of the Authorized Improvements, (iii) funding the Reserve Account Requirement attributable to the issuance of the Series 2022 Bonds, (iv) paying a portion of the costs incidental to the organization and administration of the District, and (v) paying the costs of issuance of the Series 2022 Bonds.

The Bonds are special, limited obligations of the City payable solely from the Trust Estate as defined in the Indenture. Reference is hereby made to the Indenture, copies of which are on file with and available upon request from the Trustee, for the provisions, among others, with respect to the nature and extent of the duties and obligations of the City, the Trustee and the Owners. The Owner of this Bond, by the acceptance hereof, is deemed to have agreed and consented to the terms, conditions and provisions of the Indenture.

Notwithstanding any provision hereof, the Indenture may be released and the obligation of the City to make money available to pay this Series 2022 Bond may be defeased by the deposit of money and/or certain direct or indirect Defeasance Securities sufficient for such purpose as described in the Indenture.

The Series 2022 Bonds are issuable as fully registered bonds only in Authorized Denominations, subject to the provisions of the Indenture authorizing redemption in Authorized Denominations.

The principal amount of Series 2022 Bonds required to be redeemed on any sinking fund redemption date shall be reduced, at the option of the City, by the principal amount of any Series 2022 Bonds of such maturity which, at least 45 days prior to the sinking fund redemption date shall have been acquired by the City at a price not exceeding the principal amount of such Series 2022 Bonds plus accrued and unpaid interest to the date of purchase thereof, and delivered to the Trustee for cancellation.

The principal amount of Series 2022 Bonds required to be redeemed on any redemption date shall be reduced on a pro rata basis among Sinking Fund Installments by the principal amount of any Series 2022 Bonds which, at least 45 days prior to the applicable Sinking Fund Installment payment date, shall have been redeemed pursuant to the optional redemption or extraordinary optional redemption and not previously credited to a sinking fund redemption.

The City reserves the right and option to redeem the Series 2022 Bonds maturing on or after September 1, 20__ before their scheduled maturity dates, in whole or in part, in amounts equal to Authorized Denominations, on or after September 1, 20__, such redemption date or dates to be fixed by the City, at 100% of the principal amount of such Series 2022 Bonds, or portions thereof, to be redeemed plus accrued interest to the date of redemption.

Series 2022 Bonds are subject to extraordinary optional redemption prior to maturity in whole or in part, on the first day of any month, at a Redemption Price equal to at 100% of the principal amount of such Series 2022 Bonds called for redemption, or portions thereof, to be redeemed plus accrued interest to the date of redemption from amounts on deposit in the Redemption Fund as a result of Prepayments, other transfers to the Redemption Fund pursuant to the Indenture, or as a result of unexpended amounts transferred from the Project Fund as provided in the Indenture.

Upon surrender of any Series 2022 Bond for redemption in part, the Trustee in accordance with the Indenture, shall authenticate and deliver and exchange the Series 2022 Bond or Series 2022 Bonds in an aggregate principal amount equal to the unredeemed portion of the Series 2022 Bond so surrendered, which shall be an Authorized Denomination. A new Series 2022 Bond representing the unredeemed balance of such Series 2022 Bond shall be issued to the Owner thereof, such exchange being without charge. If any Series 2022 Bonds are to be redeemed and such redemption results in the unredeemed portion of a single Series 2022 Bond in an amount less than the Authorized Denomination, a Series 2022 Bond in the principal amount equal to the unredeemed portion, but not less than \$1,000, may be issued.

The Trustee shall give notice of any redemption of the Series 2022 Bonds by sending notice by first class United States mail, postage prepaid, not less than 30 days before the date fixed for redemption, to the Owner of each Series 2022 Bond (or part thereof) to be redeemed, at the address shown on the Register. The notice shall state the redemption date, the Redemption Price, the place at which the Series 2022 Bonds are to be surrendered for payment, and, if less than all the Bonds Outstanding are to be redeemed, an identification of the Series 2022 Bonds or portions thereof to be redeemed, any conditions to such redemption, and a statement that on the identified redemption date, if all conditions (if any) to such redemption have been satisfied, such Series 2022 Bond shall become due and payable and interest thereon shall cease to accrue. Any notice so given shall be conclusively presumed to have been duly given, whether or not the Owner receives such notice.

The City has the right to rescind any notice of optional or extraordinary redemption by delivery to the Trustee of written notice of such rescission on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds are not available on the date fixed for

redemption for the payment in full of the Series 2022 Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the Indenture. Upon receipt of a City Certificate instructing the Trustee to rescind the then-effective notice of redemption, the Trustee shall mail notice of rescission of redemption in the same manner notice of redemption was originally provided.

With respect to any optional redemption of the Series 2022 Bonds, unless the Trustee has received funds sufficient to pay the Redemption Price of the Series 2022 Bonds to be redeemed before giving of a notice of redemption, the notice may state the City may condition redemption on the receipt of such funds by the Trustee on or before the date fixed for the redemption, or on the satisfaction of any other prerequisites set forth in the notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption and sufficient funds are not received, the notice shall be of no force and effect, the City shall not redeem the Series 2022 Bonds and the Trustee shall give notice, in the manner in which the notice of redemption was given, that the Series 2022 Bonds have not been redeemed.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the City and the rights of the Owners of Series 2022 Bonds under the Indenture at any time Outstanding affected by such modification. The Indenture also contains provisions permitting the Owners of specified percentages in aggregate principal amount of the Series 2022 Bonds at the time Outstanding, on behalf of the Owners of all the Series 2022 Bonds, to waive compliance by the City with certain past defaults under the Bond Ordinance or the Indenture and their consequences. Any such consent or waiver by the Owner of this Series 2022 Bond or any predecessor Series 2022 Bond evidencing the same debt shall be conclusive and binding upon such Owner and upon all future Owners hereof and of any Series 2022 Bond issued upon the transfer hereof or in exchange hereof or in lieu thereof, whether or not notation of such consent or waiver is made upon this Series 2022 Bond.

As provided in the Indenture, this Series 2022 Bond is transferable upon surrender of this Series 2022 Bond for transfer at the Designated Payment/Transfer Office, with such endorsement or other evidence of transfer as is acceptable to the Trustee, and upon delivery to the Trustee of such certifications and/or opinion of Bond Counsel as may be required under the Indenture for the transfer of this Series 2022 Bond. Upon satisfaction of such requirements, one or more new fully registered Series 2022 Bonds of the same Stated Maturity, of Authorized Denominations, bearing the same rate of interest, and for the same aggregate principal amount will be issued to the designated transferee or transferees.

Neither the City nor the Trustee shall be required to issue, transfer or exchange any Series 2022 Bond called for redemption where such redemption is scheduled to occur within 45 calendar days of the transfer or exchange date; provided, however, such limitation shall not be applicable to an exchange by the registered owner of the uncalled principal balance of a Series 2022 Bond.

The City, the Trustee, and any other Person may treat the Person in whose name this Series 2022 Bond is registered as the owner hereof for the purpose of receiving payment as herein provided (except interest shall be paid to the Person in whose name this Series 2022 Bond is registered on the Record Date or Special Record Date, as applicable) and for all other purposes, whether or not this Series 2022 Bond be overdue, and neither the City nor the Trustee shall be affected by notice to the contrary.

The City reserved the right to issue Refunding Bonds and Additional Bonds payable from and secured by a lien on and pledge of the sources described above, on parity with the lien thereon and pledge thereof securing this Series 2022 Bond.

NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF CITY OF SINTON, TEXAS, THE STATE OF TEXAS, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE SERIES 2022 BONDS.

IT IS HEREBY CERTIFIED AND RECITED that the issuance of this Series 2022 Bond and the series of which it is a part is duly authorized by law; that all acts, conditions and things required to be done precedent to and in the issuance of the Series 2022 Bonds have been properly done and performed and have happened in regular and due time, form and manner, as required by law; and that the total indebtedness of the City, including the Series 2022 Bonds, does not exceed any Constitutional or statutory limitation.

IN WITNESS WHEREOF, the Council of the City has caused this Series 2022 Bond to be executed under the official seal of the City.

Mayor, City of Sinton, Texas

City Secretary

[City Seal]

(b) Form of Comptroller's Registration Certificate.

The following Registration Certificate of Comptroller shall appear on the Initial Series 2022 Bond:

REGISTRATION CERTIFICATE OF TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER §
OF PUBLIC ACCOUNTS § REGISTER NO. _____
§
THE STATE OF TEXAS §

I HEREBY CERTIFY THAT there is on file and of record in my office an opinion to the effect that the Attorney General of the State of Texas has approved this Series 2022 Bond, and that this Series 2022 Bond has been registered this day by me.

WITNESS MY SIGNATURE AND SEAL OF OFFICE this _____.

Comptroller of Public Accounts
of the State of Texas

[SEAL]

(c) Form of Certificate of Trustee.

CERTIFICATE OF TRUSTEE

It is hereby certified that this is one of the Series 2022 Bonds of the series of Series 2022 Bonds referred to in the within mentioned Indenture.

UMB BANK, N.A.,
Austin, Texas, as Trustee

DATED: _____

By: _____
Authorized Signatory

(d) Form of Assignment.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto (print or typewrite name, address and zip code of transferee):

(Social Security or other identifying number: _____) the within Series 2022 Bond and all rights hereunder and hereby irrevocably constitutes and appoints _____ attorney to transfer the within Series 2022 Bond on the books kept for registration hereof, with full power of substitution in the premises.

Date: _____

Signature Guaranteed By:

NOTICE: The signature on this Assignment must correspond with the name of the registered owner as it appears on the face of the within Series 2022 Bond in every particular and must be guaranteed in a manner acceptable to the Trustee

Authorized Signatory

(e) Form of Initial Series 2022 Bonds.

The Initial Series 2022 Bond shall be in the form set forth in paragraphs (a), (b), (d) and (e) of this Exhibit A, except for the following alterations:

(1) immediately under the name of the Series 2022 Bond the heading "INTEREST RATE" and "MATURITY DATE" shall both be completed with the expression "As Shown Below," and the reference to the "CUSIP NUMBER" shall be deleted;

(2) in the first paragraph of the Series 2022 Bond, the words "on the Maturity Date as specified above, the sum of _____ DOLLARS AND NO/100 (\$_____)" shall be deleted and the following will be inserted: "on September 1 in each of the years, in the principal installments and bearing interest at the per annum rates set forth in the following schedule":

| <u>Year</u> | <u>Principal Installment (\$)</u> | <u>Interest Rate (%)</u> |
|-------------|---------------------------------------|------------------------------|
|-------------|---------------------------------------|------------------------------|

(Information to be inserted from Section 3.02(c) of the Indenture); and

(3) the Initial Series 2022 Bond shall be numbered T-1.

EXHIBIT B

FORM OF CITY CERTIFICATE

[City Letterhead]

UMB Bank, N.A.
Attn: Anne-Marie Hansen
6034 West Courtyard Drive, Suite 370
Austin, Texas 78730

Re: City of Sinton, Texas Special Assessment Revenue Bonds, Series 2022 (Somerset Public Improvement District No. 1)

Reference is made to the Indenture of Trust (the *Indenture*) by and between City of Sinton, Texas (the *City*) and UMB Bank, N.A. (the *Trustee*), regarding the above-described transaction. In accordance with the Indenture, we hereby instruct you as follows:

[insert instructions]

This City Certificate, as executed by the City Representative (as defined in the Indenture) below, is provided in accordance with and complies with the provisions of the Indenture. The Trustee is hereby authorized to rely upon this City Certificate and to take the foregoing action(s). By submission of this City Certificate, the City hereby affirms that it remains in compliance with the covenants as set forth in the Indenture and all supplements related thereto.

Very truly yours,

CITY OF SINTON, TEXAS

By: _____

Name: _____

Title: _____

EXHIBIT C

DTC LETTER OF REPRESENTATIONS

EXHIBIT D

WRITTEN PROCEDURES RELATING TO CONTINUING COMPLIANCE WITH FEDERAL TAX COVENANTS

(a) Arbitrage. With respect to the investment and expenditure of the proceeds of the Bonds, the chief financial officer of the issuer (the *Responsible Person*), which currently is the City Manager, will:

(1) instruct the appropriate person or persons that the construction, renovation or acquisition of the facilities must proceed with due diligence and that binding contracts for the expenditure of at least 5% of the proceeds of the Bonds will be entered into within six (6) months of the date of delivery of the Bonds (the *Issue Date*);

(2) monitor that at least 85% of the proceeds of the Bonds to be used for the construction, renovation or acquisition of any facilities are expended within three (3) years of the date of issue;

(3) restrict the yield of the investments to the yield on the Bonds after three (3) years of the date of issue;

(4) monitor all amounts deposited into a sinking fund or funds, to assure that the maximum amount invested at a yield higher than the yield on the Bonds does not exceed an amount equal to the debt service on the Bonds in the succeeding 12-month period plus a carryover amount equal to one-twelfth of the principal and interest payable on the Bonds for the immediately preceding 12-month period;

(5) ensure that no more than 50% of the proceeds of the Bonds are invested in an investment with a guaranteed yield for 4 years or more;

(6) maintain any official action of the City (such as a reimbursement resolution) stating its intent to reimburse with the proceeds of the Bonds any amount expended prior to the date of issue for the acquisition, renovation or construction of the facilities;

(7) ensure that the applicable information return (e.g., IRS Form 8038-G, 8038-GC, or any successor forms) is timely filed with the IRS; and

(8) assure that, unless excepted from rebate and yield restriction under section 148(f) of the Code, excess investment earnings are computed and paid to the U.S. government at such time and in such manner as directed by the IRS (A) at least every 5 years after the Issue Date and (B) within 30 days after the date the Bonds are retired.

(b) Private Business Use. With respect to the use of the facilities financed or refinanced with the proceeds of the Bonds the Responsible Person will:

(1) monitor the date on which the facilities are substantially complete and available to be used for the purpose intended;

(2) monitor whether, at any time the Bonds are outstanding, any person, other than the Issuer, the employees of the Issuer, the agents of the Issuer or members of the general public

has any contractual right (such as a lease, purchase, management or other service agreement) with respect to any portion of the facilities;

(3) monitor whether, at any time the Bonds are outstanding, any person, other than the Issuer, the employees of the Issuer, the agents of the Issuer or members of the general public has a right to use the output of the facilities (e.g., water, gas, electricity);

(4) monitor whether, at any time the Bonds are outstanding, any person, other than the Issuer, the employees of the Issuer, the agents of the Issuer or members of the general public has a right to use the facilities to conduct or to direct the conduct of research;

(5) determine whether, at any time the Bonds are outstanding, any person, other than the Issuer, has a naming right for the facilities or any other contractual right granting an intangible benefit;

(6) determine whether, at any time the Bonds are outstanding, the facilities are sold or otherwise disposed of; and

(7) take such action as is necessary to remediate any failure to maintain compliance with the covenants contained in the Indenture related to the public use of the facilities.

(c) Record Retention. The Responsible Person will maintain or cause to be maintained all records relating to the investment and expenditure of the proceeds of the Bonds and the use of the facilities financed or refinanced thereby for a period ending three (3) years after the complete extinguishment of the Bonds. If any portion of the Bonds is refunded with the proceeds of another series of tax-exempt obligations, such records shall be maintained until the three (3) years after the refunding obligations are completely extinguished. Such records can be maintained in paper or electronic format.

(d) Responsible Person. The Responsible Person shall receive appropriate training regarding the Issuer's accounting system, contract intake system, facilities management and other systems necessary to track the investment and expenditure of the proceeds and the use of the facilities financed or refinanced with the proceeds of the Bonds. The foregoing notwithstanding, the Responsible Person is authorized and instructed to retain such experienced advisors and agents as may be necessary to carry out the purposes of these instructions.

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

APPENDIX C

FORM OF SERVICE AND ASSESSMENT PLAN

(THIS PAGE IS INTENTIONALLY LEFT BLANK.)

**SOMERSET
PUBLIC IMPROVEMENT DISTRICT No. 1**

CITY OF SINTON, TEXAS

PRELIMINARY SERVICE AND ASSESSMENT PLAN

December 21, 2021

PREPARED BY:

MUNICAP, INC.
— PUBLIC FINANCE —

SOMERSET PUBLIC IMPROVEMENT DISTRICT No. 1

PRELIMINARY SERVICE AND ASSESSMENT PLAN

TABLE OF CONTENTS

| | | |
|--------------|---|-----------|
| I. | PLAN DESCRIPTION AND DEFINED TERMS | 1 |
| A. | INTRODUCTION | 1 |
| II. | PROPERTY INCLUDED IN THE PID | 8 |
| A. | PROPERTY INCLUDED IN THE PID | 8 |
| III. | DESCRIPTION OF THE AUTHORIZED IMPROVEMENTS | 9 |
| A. | AUTHORIZED IMPROVEMENT OVERVIEW | 9 |
| B. | DESCRIPTIONS OF THE AUTHORIZED IMPROVEMENTS | 10 |
| IV. | SERVICE PLAN | 12 |
| A. | SOURCES AND USES OF FUNDS..... | 12 |
| B. | FIVE -YEAR SERVICE AND ASSESSMENT PLAN | 14 |
| C. | PID DISCLOSURE | 15 |
| V. | ASSESSMENT PLAN | 16 |
| A. | INTRODUCTION | 16 |
| B. | SPECIAL BENEFIT..... | 16 |
| C. | ASSESSMENT METHODOLOGY | 18 |
| D. | ASSESSMENTS..... | 19 |
| E. | ADMINISTRATIVE EXPENSES | 19 |
| F. | DELINQUENCY AND PREPAYMENT RESERVE | 20 |
| G. | TIRZ ANNUAL CREDIT AMOUNT | 20 |
| VI. | TERMS OF THE ASSESSMENTS | 21 |
| A. | AMOUNT OF ASSESSMENTS AND ANNUAL INSTALLMENTS FOR PARCELS LOCATED WITHIN THE PID | 21 |
| B. | REALLOCATION OF ASSESSMENTS | 21 |
| C. | MANDATORY PREPAYMENT OF ASSESSMENTS | 22 |
| D. | REDUCTION OF ASSESSMENTS..... | 23 |
| E. | PAYMENT OF ASSESSMENTS | 23 |
| F. | COLLECTION OF ANNUAL INSTALLMENTS | 25 |
| VII. | THE ASSESSMENT ROLL | 26 |
| A. | ASSESSMENT ROLL | 26 |
| B. | ANNUAL ASSESSMENT ROLL UPDATES..... | 27 |
| VIII. | MISCELLANEOUS PROVISIONS | 28 |
| A. | ADMINISTRATIVE REVIEW | 28 |
| B. | TERMINATION OF ASSESSMENTS | 28 |
| C. | AMENDMENTS | 28 |
| D. | ADMINISTRATION AND INTERPRETATION OF PROVISIONS..... | 29 |
| E. | SEVERABILITY..... | 29 |

APPENDIX A - PID MAP

APPENDIX B - ESTIMATED COSTS OF THE AUTHORIZED IMPROVEMENTS

APPENDIX C - LEGAL DESCRIPTION

APPENDIX D - DIAGRAMS OF THE AUTHORIZED IMPROVEMENTS

APPENDIX E - ASSESSMENT PER UNIT, PROJECTED LEVERAGE AND PROJECTED TAX RATE EQUIVALENTS

APPENDIX F - FORM OF DISCLOSURE NOTICE

APPENDIX G - PROPOSED ASSESSMENT ROLL

I. PLAN DESCRIPTION AND DEFINED TERMS

A. INTRODUCTION

On May 18, 2021, the City Council of the City of Sinton, Texas passed and approved Resolution No. 20210518 approving and authorizing the creation of the Somerset Public Improvement District No. 1 (the “PID”) to finance the costs of certain public improvements for the benefit of property in such public improvement district, all of which was located within the corporate limits of the City at the time the PID was created.

The property in the PID is proposed to be developed in one phase. Assessments will be imposed on all property in the PID for the Authorized Improvements that benefit the entire PID.

Chapter 372 of the Texas Local Government Code, the “Public Improvement District Assessment Act” (as amended, the “PID Act”), governs the creation and operation of public improvement districts within the State of Texas. This Somerset Public Improvement District Service and Assessment Plan (the “Service and Assessment Plan”) has been prepared in accordance with the PID Act and specifically Sections 372.013, 372.014, 372.015 and 372.016, which address the requirements of a service and assessment plan and the assessment roll. According to Section 372.013 of the PID Act, a service plan “must (i) cover a period of at least five years; (ii) define the annual indebtedness and the projected costs for improvements; and (iii) include a copy of the notice form required by Section 5.014, Property Code.” The service plan is described in Section IV of this Service and Assessment Plan. The copy of the notice form required by Section 5.014 of the Texas Property Code, as amended, is attached hereto as Appendix F.

Section 372.014 of the PID Act requires that “an assessment plan must be included in the annual service plan.” The assessment plan is described in Section V of this Service and Assessment Plan.

Section 372.015 of the PID Act requires that “the governing body of the municipality or county shall apportion the cost of an improvement to be assessed against property in an improvement district.” The method of assessing the costs of the Authorized Improvements and apportionment of such costs to the property in the PID is included in Section V of this Service and Assessment Plan.

Section 372.016 of the PID Act requires that “after the total cost of an improvement is determined, the governing body of the municipality or county shall prepare a proposed assessment roll. The roll must state the assessment against each parcel of land in the district, as determined by the method of assessment chosen by the municipality or county under this subchapter.” The Assessment Roll for the PID are included as Appendix G of this Service and Assessment Plan. The Assessments as shown on each Assessment Roll are based on the method of assessment and apportionment of costs described in Section V of this Service and Assessment Plan.

B. Definitions

Capitalized terms used herein shall have the meanings ascribed to them as follows:

“Actual Cost(s)” means those issuance costs related to a series of Bonds, PID formation costs, and with respect to an Authorized Improvement, the demonstrated, reasonable, allocable, and allowable costs of constructing such Authorized Improvement. Actual Cost may include (a) the costs for the design, planning, financing, administration, management, acquisition, installation, construction and/or implementation of such Authorized Improvement, including general contractor and construction management fees, if any, (b) the costs of preparing the construction plans for such Authorized Improvement, (c) the fees paid for obtaining permits, licenses or other governmental approvals for such Authorized Improvement, (d) the costs for external professional costs associated with such Authorized Improvement, such as engineering, geotechnical, surveying, land planning, architectural landscapers, advertising, marketing and research studies, appraisals, legal, accounting and similar professional services, and taxes (property and franchise), (e) the costs of all labor, bonds and materials, including equipment and fixtures, incurred by contractors, builders and material men in connection with the acquisition, construction or implementation of the Authorized Improvements, (f) all related permitting, zoning and public approval expenses, architectural, engineering, legal, and consulting fees, financing charges, taxes, governmental fees and charges (including inspection fees, permit fees, development fees), insurance premiums and miscellaneous expenses.

Actual Costs may include general contractor’s fees in an amount up to a percentage equal to the percentage of work completed and accepted by the City or construction management fees in an amount up to five percent of the eligible Actual Costs described in a Certification for Payment. The amounts expended on legal costs, taxes, governmental fees, insurance premiums, permits, financing costs, and appraisals shall be excluded from the base upon which the general contractor and construction management fees are calculated.

“Additional Interest” means the amount collected by application of the Additional Interest Rate.

“Additional Interest Rate” means the 0.50% additional interest rate charged on Assessments (if applicable) pursuant to Section 372.018 of the PID Act.

“Additional PID Bonds” means Bonds issued to finance or refinance the Actual Costs of the Authorized Improvements by use of the proceeds therefrom to pay (i) all or part of amounts due and owing pursuant to the PID Reimbursement Agreement, (ii) certain administrative expenses, and/or (iii) to pay for Actual Costs of the Authorized Improvements remaining to be advanced by the Developer pursuant to the Completion Agreement (and which costs are subject to reimbursement pursuant to the PID Reimbursement Agreement).

“Administrative Expenses” means the administrative, organization, maintenance and operational costs associated with, or incident to, the administration, organization, maintenance and operation of the PID, including, but not limited to, the costs of: (i) creating and organizing the PID, including conducting hearings, preparing notices and petitions, and all costs incident thereto, including engineering fees, legal fees and consultant fees, (ii) the annual administrative,

organization, maintenance, and operation costs and expenses associated with, or incident and allocable to, the administration, organization, maintenance, and operation of the PID and the Authorized Improvements, (iii) computing, levying, billing and collecting Assessments or the Annual Installments thereof, (iv) maintaining the record of installments of the Assessments and the system of registration and transfer of the Bonds, (v) issuing, paying and redeeming the Bonds, (vi) investing or depositing of monies, (vii) complying with the PID Act and other laws applicable to the Bonds, (viii) the Trustee's reasonable fees and expenses relating to the Bonds, (ix) legal counsel, engineers, accountants, financial advisors, investment bankers or other consultants and advisors, and (x) administering the construction of the Authorized Improvements. Administrative Expenses do not include payment of the actual principal of, redemption premium, if any, and interest on the Bonds or any costs of issuance associated with the Bonds. Administrative Expenses collected and not expended for actual Administrative Expenses shall be carried forward and applied to reduce Administrative Expenses in subsequent years to avoid the over-collection of amounts to pay Administrative Expenses.

“Administrator” means the City, or the person or independent firm designated by the City, who shall have the responsibility provided in this Service and Assessment Plan, any Trust Indenture or any other agreement or document approved by the City related to the duties and responsibility of the administration of the PID.

“Annual Installment” means, with respect to each Assessed Property, each annual payment of: (i) the Assessments, including both principal and interest, as shown on the Assessment Roll attached hereto as Appendix G, as applicable, or in an Annual Service Plan Update, and calculated as provided in Section VI of this Service and Assessment Plan, (ii) the Additional Interest designated for the Delinquency and Prepayment Reserve described in Section V of this Service and Assessment Plan, and (iii) the Administrative Expenses.

“Annual Service Plan Update” has the meaning set forth in the second paragraph of Section IV of this Service and Assessment Plan.

“Assessed Property” means the property that benefits from the Authorized Improvements to be provided by the PID on which Assessments have been imposed as shown in each Assessment Roll, as each Assessment Roll is updated each year by the Annual Service Plan Update. Assessed Property includes Parcels within the PID other than Non-Benefited Property.

“Assessment” means an assessment levied against a Parcel imposed pursuant to an Assessment Ordinance and the provisions herein, as shown on any Assessment Roll, subject to reallocation upon the subdivision of such Parcel or reduction according to the provisions herein and the PID Act.

“Assessment Ordinance” means the Ordinance adopted by the City Council approving the Service and Assessment Plan (including amendments or supplements to the Service and Assessment Plan) and levying the Assessments.

“Assessment Revenues” means money collected by or on behalf of the City from any one or more of the following: (i) an Assessment levied against an Assessed Property, or Annual Installment payment thereof (including any interest on such Assessment or Annual Installment thereof during any period of delinquency), (ii) a Prepayment, (iii) Delinquent Collection Costs, and (iv) Foreclosure Proceeds

“Assessment Roll” means an Assessment Roll, as shown in Appendix G, or any other Assessment Roll in an amendment or supplement to this Service and Assessment Plan or in an Annual Service Plan Update.

“Authorized Improvements” mean the public improvements described in Appendix B of this Service and Assessment Plan and Section 372.003 of the PID Act, constructed and installed in accordance with this Service and Assessment Plan, and any future updates and/or amendments.

“Bonds” mean any bonds issued by the City in one or more series and secured in whole or in part by the Assessment Revenues, including the Series 2022 PID Bonds and any Additional PID Bonds.

“Budgeted Cost(s)” means the amounts of Actual Costs budgeted to construct the Authorized Improvements as used in the preparation of this Service and Assessment Plan, as shown in Table III-A.

“Certification for Payment” means the certificate to be provided by the Developer, or his designee, to substantiate the Actual Cost of one or more Authorized Improvements.

“City” means the City of Sinton, Texas.

“City Council” means the duly elected governing body of the City.

“Completion Agreement” means that certain “Completion Agreement”, dated as of January 1, 2022, between the City, UMB Bank N.A., as Trustee for the Bonds, and the Developer pursuant to which the Developer has agreed to initially fund, from its private sources (including the proceeds of a private bank loan), Actual Costs of the Authorized Improvements that are not otherwise paid directly from the proceeds of Bonds or Assessment Revenues.

“County” means San Patricio County, Texas.

“Delinquency and Prepayment Reserve” has the meaning set forth in Section V.F of this Service and Assessment Plan.

“Delinquent Collection Costs” mean interest, penalties and expenses incurred or imposed with respect to any delinquent Assessment or Annual Installment in accordance with the PID Act and the costs related to pursuing collection of a delinquent Assessment or Annual Installment and foreclosing the lien against the Assessed Property, including attorney’s fees.

“Developer” means Somerset Land Company, LLC, a Texas limited liability company.

“Development Agreement” means that certain “Development Agreement” by and between the City and Somerset Land Company, LLC, a Texas limited liability company, as the successor in interest to the original parties to the Development Agreement, and related to the Property effective July 13, 2021, and as the same may be amended from time to time.

“Drainage District” means San Patricio County Drainage District.

“Equivalent Dwelling Unit” means a unit of measurement of public services consumed or utilized, as applicable, by various buildings, structures, or improvements, with one Equivalent Dwelling Unit being the approximate amount of such consumption or utilization by an average single family residence.

“Equivalent Units” mean, as to any Parcel the number of Equivalent Dwelling Units by Lot Type expected to be built on the Parcel multiplied by the factors calculated and shown in Appendix E attached hereto.

“Lot” means a tract of land described as a “lot” in a subdivision plat recorded in the official public records of the County.

“Lot Type” means a classification of final building lots with similar characteristics (e.g. commercial, light industrial, multifamily residential, single family residential, etc.), as determined by the Administrator and confirmed by the City Council. In the case of single family residential lots, the Lot Type shall be further defined by classifying the residential lots by the estimated average home value for each home at the time of Assessment levy, considering factors such as density, lot size, proximity to amenities, view premiums, location, and any other factors that may impact the average home value on the lot, as determined by the Administrator and confirmed by the City Council.

“Maintenance Assessment” means the assessment for maintenance that may be collected within the PID, as further described in Section IV.C.

“Maximum Assessment Per Unit” means an Assessment per Equivalent Unit for Authorized Improvements not to exceed \$37,132.02.

“Non-Benefited Property” means Parcels that accrue no special benefit from the Authorized Improvements, which may include Property Owner Association Property, Public Property and easements that create an exclusive use for a public utility provider to the extent they accrue no special benefit. Property identified as Non-Benefited Property at the time the Assessments (i) are imposed or (ii) are reallocated pursuant to a subdivision of a Parcel, is not assessed. Assessed Property converted to Non-Benefited Property, if the Assessments may not be reallocated pursuant to the provisions herein, remains subject to the Assessments and requires the Assessments to be prepaid as provided for in Section VI.E.

“Parcel” or “Parcels” means a parcel or parcels within the PID identified by either a tax map identification number assigned by the San Patricio Central Appraisal District for real property tax purposes or by lot and block number in a final subdivision plat recorded in the real property records of the County.

“PID” has the meaning set forth in Section I.A of this Service and Assessment Plan.

“PID Act” means Texas Local Government Code, Chapter 372, Public Improvement District Assessment Act, Subchapter A, Public Improvement Districts, as amended.

“PID Disclosure” means the form of notice required by the PID Act and Section 5.014 of the Texas Property Code, as amended. A copy of the PID Disclosure is attached as Appendix F.

“PID Reimbursement Agreement” means that certain Somerset Public Improvement District No. 1 Reimbursement Agreement, dated January 1, 2022, by and between the City and the Developer in which the City agrees to reimburse the Developer for a portion of the Actual Costs of the Authorized Improvements funded by the Developer pursuant to the Completion Agreement (which costs are subject to reimbursement), with interest, as permitted by the PID Act.

“POA Obligations” has the meaning set forth in Section IV.C of this Service and Assessment Plan.

“Prepayment Costs” mean interest and expenses to the date of prepayment, plus any additional expenses related to the prepayment, reasonably expected to be incurred by or imposed upon the City as a result of any prepayment of an Assessment.

“Property Owner Association” or “POA” means a property owners’ association established for the benefit of property owners within the boundaries of the PID.

“Property Owner Association Property” means property within the boundaries of the PID that is owned by or irrevocably offered for dedication to, whether in fee simple or through an exclusive use easement, a property owner’s association.

“Public Property” means property within the boundaries of the PID that is owned by or irrevocably offered for dedication to the federal government, the State of Texas, the County, the City, the Drainage District, a school district or any other public agency, whether in fee simple or through an exclusive use easement.

“Series 2022 PID Bonds” mean those City bonds styled City of Sinton, Texas, Special Assessment Revenue Bonds, Series 2022 (Somerset Public Improvement District No.1) that are secured primarily by Assessment Revenues.

“Service and Assessment Plan” or “SAP” means this Service and Assessment Plan prepared for the PID pursuant to the PID Act, as the same may be amended from time to time.

“TIRZ Annual Credit Amount” means, for each Parcel within the PID, the prorated amount of TIRZ Revenues calculated pursuant to Section VI of this Service and Assessment Plan.

“TIRZ No. 1” means the Tax Increment Reinvestment Zone No. 1, City of Sinton Texas.

“TIRZ Ordinance” means the City ordinance adopted by the City Council authorizing the use of TIRZ Revenues for project costs under the Tax Increment Financing Act, Texas Tax Code, Chapter 311, as amended, relating to the Authorized Improvements as provided for in the Tax Increment Reinvestment Zone No. 1 Project Plan and Financing Plan (including amendments or supplements thereto).

“TIRZ Revenues” mean, for each year, the amounts paid by the City from the TIRZ No. 1 tax increment fund pursuant to the TIRZ Ordinance to reduce the principal and/or interest components of an Annual Installment, as calculated each year by the Administrator in collaboration with the City, in accordance with Section VI of this Service and Assessment Plan.

“Trust Indenture” means an indenture of trust, ordinance or similar document setting forth the terms and other provisions relating to the Bonds, as modified, amended, and/or supplemented from time to time.

“Trustee” means the fiscal agent or trustee as specified in the Trust Indenture, including a substitute fiscal agent or trustee.

“Zoning Ordinance” means, together, Ordinance No. 2021-09 and Ordinance No. 2021-10, each adopted by the City Council on July 13, 2021, which ordinances establish the permitted uses of, and standards for the development of the property within the PID.

(remainder of this page is intentionally left blank)

II. PROPERTY INCLUDED IN THE PID

A. PROPERTY INCLUDED IN THE PID

The PID is presently located within the City and contains approximately 177.36 acres of land. A map of the property within the PID is shown on Appendix A and described in Appendix C to this Service and Assessment Plan.

At completion, the PID is expected to consist of approximately 460 single family residential units, approximately 692 multi-family residential units, approximately 219,100 gross square feet of retail, restaurant, office, and a travel center building, approximately 175 hotel rooms within two hotels, landscaping, and infrastructure necessary to provide roadways, drainage, and utilities to the PID.

The property within the PID is proposed to be developed as follows:

Table II-A
Proposed Development

| Proposed Development | Quantity | Measurement |
|-------------------------------|-----------------|--------------------|
| <i>Residential:</i> | | |
| Single Family - 80 Ft | 55 | Units |
| Single Family - 50 Ft | 405 | Units |
| <i>Subtotal Single Family</i> | <i>460</i> | <i>Units</i> |
| Multi-Family | 692 | Units |
| <i>Commercial:</i> | | |
| Restaurant | 47,500 | GSF |
| Retail | 133,200 | GSF |
| Office | 31,700 | GSF |
| Hotel | 175 | Rooms |
| Travel Center | 6,700 | GSF |
| <i>Subtotal Commercial</i> | <i>219,100</i> | <i>GSF</i> |
| <i>Subtotal Commercial</i> | <i>175</i> | <i>Rooms</i> |

(remainder of this page is intentionally left blank)

III. DESCRIPTION OF THE AUTHORIZED IMPROVEMENTS

A. AUTHORIZED IMPROVEMENT OVERVIEW

372.003. Authorized Improvements

(a) If the governing body of a municipality or county finds that it promotes the interests of the municipality or county, the governing body may undertake an improvement project that confers a special benefit on a definable part of the municipality or county or the municipality's extraterritorial jurisdiction. A project may be undertaken in the municipality or county or the municipality's extraterritorial jurisdiction.

(b) A public improvement may include:

- (i) landscaping;
- (ii) erection of fountains, distinctive lighting, and signs;
- (iii) acquiring, constructing, improving, widening, narrowing, closing, or rerouting of sidewalks or of streets, any other roadways, or their rights-of way;
- (iv) construction or improvement of pedestrian malls;
- (v) acquisition and installation of pieces of art;
- (vi) acquisition, construction, or improvement of libraries;
- (vii) acquisition, construction, or improvement of off-street parking facilities;
- (viii) acquisition, construction, improvement, or rerouting of mass transportation facilities;
- (ix) acquisition, construction, or improvement of water, wastewater, or drainage facilities or improvements;
- (x) the establishment or improvement of parks;
- (xi) projects similar to those listed in Subdivisions (i)-(x);
- (xii) acquisition, by purchase or otherwise, of real property in connection with an authorized improvement;
- (xiii) special supplemental services for improvement and promotion of the district, including services relating to advertising, promotion, health and sanitation, water and wastewater, public safety, security, business recruitment, development, recreation, and cultural enhancement;
- (xiv) payment of expenses incurred in the establishment, administration and operation of the district; and
- (xv) the development, rehabilitation, or expansion of affordable housing

After analyzing the public improvement projects authorized by the PID Act, the City has determined at this time to undertake only Authorized Improvements listed in Section III.B. on the following page and shown in the opinion of probable costs included as Appendix B and on the

diagrams included as Appendix D for the benefit of the Assessed Property. Any change to the list of Authorized Improvements will require the approval of the City and an update to this Service and Assessment Plan.

B. DESCRIPTIONS OF THE AUTHORIZED IMPROVEMENTS

The Authorized Improvement descriptions are presented below as provided by the project engineer. The Budgeted Costs of the Authorized Improvements are shown in Table III-A and may be revised in Annual Service Plan Updates, including updating such Budgeted Costs in connection with such other improvements as deemed necessary to further improve the properties within the PID.

A description of the Authorized Improvements are as follows:

Roadway Improvements

The roadway improvement portion of the Authorized Improvements consists of the construction of road and thoroughfare improvements, including related paving, drainage, curbs, gutters, sidewalks, signage, traffic control devices and right-of-way acquisition which benefit the Assessed Property. All roadway projects will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City.

Water Improvements

The water improvements portion of the Authorized Improvements consists of construction and installation of a looped water main network, waterlines, mains, pipes, valves and appurtenances, necessary for the portion of the water distribution system that will service the Assessed Property. The water improvements will be designed and constructed according to City standards and will be owned and operated by the City.

Sanitary Sewer Improvements

The sanitary sewer improvement portion of the Authorized Improvements consists of construction and installation of pipes, service lines, manholes, encasements, and appurtenances necessary to provide sanitary sewer service to the Assessed Property. The sanitary sewer improvements will be designed and constructed according to City standards and will be owned and operated by the City.

Storm Drainage Improvements

The storm drainage improvement portion of the Authorized Improvements consist of reinforced concrete pipes, reinforced concrete boxes, and multi-reinforced box culverts, surface drainage and detention improvements, which benefit the Assessed Property. The storm drainage collection system improvements will be designed and constructed in accordance with City and Drainage District standards and specifications and will be owned and operated by the Drainage District. The Drainage District owns and operates the storm collection system within, and that services, the City, and will use such improvements to that system funded with Assessments for the life thereof.

Soft and Miscellaneous Costs

Certain soft and miscellaneous costs included in the Authorized Improvements include land planning, landscaping, inlet protection and design, and Developer district formation and related costs.

Table III-A
Estimated PID Project Costs

| Authorized Improvements | Total ¹ |
|--|---------------------------|
| Roadway Improvements, Including Right-Of-Way Acquisition | \$9,296,933 |
| Water Improvements | \$1,443,453 |
| Sanitary Sewer Improvements | \$2,465,869 |
| Storm Drainage Improvements | \$3,345,641 |
| Soft and Miscellaneous Costs²: | |
| Engineering, Architecture and Land Planning | \$1,726,600 |
| Contingency (10%) | \$1,569,639 |
| General Contractor Fee (10%) | \$1,569,639 |
| Project Management (5%) | \$784,819 |
| Other Soft and Miscellaneous Costs | \$3,923,226 |
| <i>Subtotal Soft and Miscellaneous Costs</i> | <i>\$9,573,923</i> |
| Total Authorized Improvements | \$26,125,819 |

¹ The above shown estimated costs are provided by Urban Engineering. The figures shown in Table III-A may be revised in Annual Service Plan Updates and may be reallocated between line items so long as the total Authorized Improvements cost amount does not change.

² See Appendix B for details.

(remainder of this page is intentionally left blank)

IV. SERVICE PLAN

A. SOURCES AND USES OF FUNDS

The PID Act requires the service plan to cover a period of at least five years. The service plan is required to define the annual projected costs and indebtedness for the Authorized Improvements undertaken within the PID during the five year period. It is anticipated that it will take approximately 10 months for the Authorized Improvements to be constructed.

The Budgeted Costs for Authorized Improvements and payment of expenses incurred in the establishment, administration and operation of the PID, including issuance related costs of the Series 2022 PID Bonds, is \$28,806,452 as shown in Table IV-A. The service plan shall be reviewed and updated at least annually for the purpose of determining the annual budget for Administrative Expenses, updating the Budgeted Costs, and updating the Assessment Roll(s). Any update to this Service and Assessment Plan is herein referred to as an “Annual Service Plan Update.”

The Series 2022 PID Bonds are anticipated to be issued to finance a portion of the Actual Costs of Authorized Improvements, plus costs to issue the Series 2022 PID Bonds, as shown in Table IV-A on the following page. A portion of the Actual Costs of Authorized Improvements will initially be financed by the Developer under the Completion Agreement, which costs are reimbursable to the Developer under the PID Reimbursement Agreement. Additional PID Bonds may, subject to the approval of the City Council and compliance with the applicable provisions in the Trust Indenture relating to the Series 2022 PID Bonds, be issued at a later date; and to the extent provided by law, the proceeds from the Additional PID Bonds will be used to reimburse certain Actual Costs paid by the Developer under the terms of the PID Reimbursement Agreement and to pay any unpaid Actual Costs of Authorized Improvements required to be paid under the Completion Agreement and that were otherwise eligible for reimbursement to the Developer under the PID Reimbursement Agreement. This Service and Assessment Plan may be updated to include costs of issuing the Additional PID Bonds. However, any future update to include such costs of issuing the Additional PID Bonds will not increase the Assessments. The remaining balance of the Authorized Improvements, if any, will be funded with proceeds available under the Completion Agreement (but without City obligation to reimburse under any PID Reimbursement Agreement).

(remainder of this page is intentionally left blank)

Table IV-A
Estimated Sources and Uses

| Sources of Funds ^(a) | Series 2022 PID Bonds | Reimbursable Developer Contribution ^(b) | Total |
|---|--------------------------|--|---------------------|
| Par Amount | \$11,735,000 | \$0 | \$11,735,000 |
| Assessment Amount | \$0 | \$17,071,452 | \$17,071,452 |
| Other Funding Sources ^(c) | \$0 | \$0 | \$0 |
| Total Sources | \$11,735,000 | \$17,071,452 | \$28,806,452 |
| Uses of Funds | | | |
| <i>Authorized Improvements^(d):</i> | | | |
| Roadway Improvements, Including Right-Of-Way Acquisition ^(e) | \$2,560,750 | \$6,736,182 | \$9,296,933 |
| Water Improvements | \$556,973 | \$886,480 | \$1,443,453 |
| Wastewater Improvements | \$951,483 | \$1,514,385 | \$2,465,869 |
| Storm Drainage Improvements | \$1,290,954 | \$2,054,688 | \$3,345,641 |
| <i>Other Soft and Miscellaneous Costs^(f):</i> | | | |
| Engineering, Architecture and Land Planning | \$1,726,600 | \$0 | \$1,726,600 |
| Contingency (10%) | \$0 | \$1,569,639 | \$1,569,639 |
| General Contractor Fee (10%) | \$0 | \$1,569,639 | \$1,569,639 |
| Project Management (5%) | \$0 | \$784,819 | \$784,819 |
| Other Soft and Miscellaneous Costs | \$1,967,607 | \$1,955,619 | \$3,923,226 |
| <i>Subtotal</i> | <i>\$9,054,367</i> | <i>\$17,071,452</i> | <i>\$26,125,819</i> |
| <i>Bond Issuance Costs:</i> | | | |
| Debt Service Reserve Fund ^(g) | \$758,900 | \$0 | \$758,900 |
| Administrative Expenses | \$50,000 | \$0 | \$50,000 |
| Capitalized Interest ^(h) | \$815,583 | \$0 | \$815,583 |
| Cost of Issuance | \$704,100 | \$0 | \$704,100 |
| Underwriters Discount ⁽ⁱ⁾ | \$352,050 | \$0 | \$352,050 |
| <i>Subtotal</i> | <i>\$2,680,633</i> | <i>\$0</i> | <i>\$2,680,633</i> |
| Total Uses | \$11,735,000 | \$17,071,452 | \$28,806,452 |

(a) Developer will fund or cause to be funded all costs not covered by the Series 2022 PID Bonds through the Completion Agreement. Certain amounts funded by the Developer under the Completion Agreement are reimbursable to the Developer under the PID Reimbursement Agreement.

(b) Represents required Developer contribution under the Completion Agreement that is subject to reimbursement under the PID Reimbursement Agreement.

(c) Represents potential required Developer contribution under the Completion Agreement that is not subject to reimbursement under any reimbursement agreement.

(d) The Actual Costs of Authorized Improvements are prorated between the Series 2022 PID Bonds and the PID Reimbursement Agreement based on the respective par amounts.

(e) The right-of-way acquisition will not be paid with proceeds of the Series 2022 PID Bonds.

(f) See Appendix B for details.

(g) The Series 2022 PID Bonds includes a debt service reserve fund calculated in accordance with Internal Revenue Service rules.

(h) Capitalized interest funded through 9/1/2023.

(i) The Series 2022 PID Bonds have a 3.0% Underwriter's Discount, which includes Underwriter's Counsel Fee.

B. FIVE -YEAR SERVICE AND ASSESSMENT PLAN

The annual projected costs and annual projected indebtedness is shown by Table IV-B. The annual projected costs and indebtedness is subject to revision, and each shall be updated in the Annual Service Plan Update to reflect any changes in the costs or indebtedness expected for each year.

**Table IV-B
Annual Projected Costs and Annual Projected Indebtedness**

| Year | Annual Projected Cost | Annual Projected Indebtedness | Sources other than Assessments | Projected Annual Installments |
|--------------|------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|
| 2021 | \$4,801,075 | \$28,806,452 | \$0 | \$0 |
| 2022 | \$24,005,377 | \$0 | \$0 | \$0 |
| 2023 | \$0 | \$0 | \$0 | \$903,376 |
| 2024 | \$0 | \$0 | \$0 | \$1,957,240 |
| 2025 | \$0 | \$0 | \$0 | \$1,957,977 |
| 2026 | \$0 | \$0 | \$0 | \$1,957,543 |
| 2027 | \$0 | \$0 | \$0 | \$1,955,936 |
| Total | \$28,806,452 | \$28,806,452 | \$0 | \$8,732,072 |

The annual projected costs shown in Table IV-B are the annual expenditures relating to the Authorized Improvements shown in Table III-A, and the costs associated with setting up the PID and Series 2022 PID Bonds issuance costs, including reserves, shown in Table IV-A. The difference between the total projected cost and the total projected indebtedness, if any, is the amount contributed by the Developer.

C. MAINTENANCE OF THE AUTHORIZED IMPROVEMENTS

The City shall enter into a Maintenance Agreement with the POA wherein the POA agrees to maintain, repair, and keep in good condition and working order the amenity features, monuments, esplanades, open spaces, common areas (including, but not limited to, all landscaped PID entrances), right-of-way landscaping (including irrigation systems), raised medians and other right-of-way landscaping, detention areas, drainage areas and screening walls within the PID (the “POA Obligations”) in accordance with the standards set forth by the City. In the event the POA fails to maintain, repair, and keep in good condition and working order the POA Obligations in accordance with the standards set forth in the Maintenance Agreement, the City may assume such responsibilities (at the City’s discretion, either directly or by contract with a third party). City costs from time to time incurred through the assumption of responsibility of maintaining, repairing, and keeping in good condition and working order the POA Obligations shall be recoverable by the City, at its discretion (but subject only to the limitations under applicable Texas law at such time in effect) by collecting the required Maintenance Assessments, payable in Annual Installments as part of the Administrative Expenses, upon the owners from time to time of benefitted Property within the PID. Any such Maintenance Assessments shall be made generally in accordance with the general provisions of this Service and Assessment Plan, as described in Section V.E. Prior to collection of any Maintenance Assessments, the Annual Service Plan Update to this Service and

Assessment Plan shall be updated to reflect the specifics of such Maintenance Assessments (to include description of the costs for which a Maintenance Assessment is being collected as part of the Administrative Expenses, the amount of the Maintenance Assessment, and the projected length of time such Maintenance Assessment shall be collected as part of the Annual Installments).

D. PID DISCLOSURE

The PID Act requires that this Service and Assessment Plan and each Annual Service Plan update include a copy of the notice form required by Section 5.014 of the Texas Property Code. The PID Disclosure is attached hereto as Appendix F and may be updated in an Annual Service Plan Update.

(remainder of this page is intentionally left blank)

V. ASSESSMENT PLAN

A. INTRODUCTION

The PID Act requires the City Council to apportion the costs of the Authorized Improvements on the basis of special benefits conferred upon the property because of the Authorized Improvements. The PID Act provides that the costs of the Authorized Improvements may be assessed: (i) equally per front foot or square foot; (ii) according to the value of the property as determined by the governing body, with or without regard to improvements on the property; or (iii) in any other manner that results in imposing equal shares of the cost on property similarly benefited. The PID Act further provides that the governing body may establish by ordinance or order reasonable classifications and formulas for the apportionment of the cost between the municipality and the area to be assessed and the methods of assessing the special benefits for various classes of improvements.

For purposes of this Service and Assessment Plan, the City Council has determined that the costs of the Authorized Improvements shall be allocated in such a manner that the Actual Costs of the Authorized Improvements that only benefit the PID shall be allocated on the basis of Equivalent Units calculated using the average value of each Lot Type once such property is developed, and that such method of allocation will result in the imposition of equal shares of the Actual Costs of the Authorized Improvements to Parcels similarly benefited.

This section of this Service and Assessment Plan currently (i) describes the special benefit received by each Parcel within the PID as a result of the Authorized Improvements, as applicable, (ii) provides the basis and justification for the determination that this special benefit exceeds the amount of the Assessments to be levied on the Assessed Property for such Authorized Improvements, and (iii) establishes the methodologies by which the City Council allocates and reallocates the special benefit of the Authorized Improvements, as applicable, to Parcels in a manner that results in equal shares of the Actual Costs of such Authorized Improvements being apportioned to Parcels similarly benefited. The determination by the City Council of the assessment methodologies set forth below is the result of the discretionary exercise by the City Council of its legislative authority and governmental powers, rationally exercised on the basis of analysis of relevant facts and upon advice of qualified consultants, and is conclusive and binding on the Developer and all future owners and developers of the Assessed Property.

B. SPECIAL BENEFIT

Assessed Property must receive a direct and special benefit from the Authorized Improvements, and this benefit must be equal to or greater than the amount of the Assessments. The Authorized Improvements are provided specifically for the benefit of the Assessed Property. The Authorized Improvements (more particularly described in line-item format in Appendix B to this Service and Assessment Plan) and the costs of issuing the Series 2022 PID Bonds and payment of costs incurred in the establishment of the PID shown in Table IV-A are authorized by the PID Act. These Authorized Improvements are provided specifically for the benefit of the Assessed Property.

Each owner of the Assessed Property has acknowledged that the Authorized Improvements confer a special benefit on the Assessed Property and has consented to the imposition of the Assessments to pay for the Actual Costs associated therewith. Each of the owners is acting in its own interest in consenting to this apportionment and levying of the Assessments because the special benefit conferred upon the Assessed Property by the Authorized Improvements exceeds the amount of the Assessments.

The Authorized Improvements provide a special benefit to the Assessed Property as a result of the close proximity of these improvements to the Assessed Property and the specific purpose of these improvements of providing infrastructure for the Assessed Property. In other words, the Assessed Property could not be used in the manner proposed without the construction of the Authorized Improvements. The Authorized Improvements are being provided specifically to meet the needs of the Assessed Property as required for the proposed use of such Assessed Property.

The Assessments are being levied to provide the Authorized Improvements that are required for the highest and best use of the Assessed Property (i.e., the use of the property that is most valuable, including any costs associated with that use). Highest and best use can be defined as “the reasonably probable and legal use of property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.” (*Dictionary of Real Estate Appraisal, Third Edition.*) The Authorized Improvements are expected to be required for the proposed use of the Assessed Property to be physically possible, appropriately supported, financially feasible, and maximally productive.

The Developer has evaluated the potential use of the Assessed Property and has determined that the highest and best use of such property is the use intended and the legal use for such property as described in Section II of this Service and Assessment Plan. The use of the Assessed Property as described herein will require the construction of the Authorized Improvements.

The Assessments will repay financing that is on advantageous terms, as the Bonds issued to finance the Authorized Improvements will pay interest that is exempt from federal income tax. As a result, all other terms being equal (e.g., maturity, fixed vs. variable rate, credit quality), Bonds that are tax- exempt will have a lower interest rate than debt that is not tax-exempt. The Bonds also have fixed rates of interest through final maturity and a longer term than other available financings and provides an option for partial or full early redemption for prepayments at any time chosen by any Owner of a Parcel. As a result of these advantageous terms, the financing provided by the PID is the most beneficial means of financing the Actual Costs of Authorized Improvements.

Each owner of the Assessed Property will ratify, confirm, accept, agree to and approve: (i) the determinations and finding by the City Council as to the special benefits described in this Service and Assessment Plan and the Assessment Ordinance; (ii) the Service and Assessment Plan, and (iii) the levying of Assessments on the Assessed Property. Use of the Assessed Property as described in this Service and Assessment Plan and as authorized by the PID Act requires that Authorized Improvements be acquired, constructed, installed, and/or improved. Funding the

Actual Costs of the Authorized Improvements through the PID has been determined by the City Council to be the most beneficial means of doing so. As a result, the Authorized Improvements result in a special benefit to the Assessed Property, and this special benefit exceeds the amount of the Assessment. This conclusion is based on and supported by the evidence, information, and testimony provided to the City Council.

In summary, the Authorized Improvements result in a special benefit to the Assessed Property for the following reasons:

1. The Authorized Improvements are being provided specifically for the use of the Assessed Property, are necessary for the proposed “highest and best use” of the property and provide a special benefit to the Assessed Property as a result;
2. The Developer and each owner of Assessed Property have consented to the imposition of the Assessments for the purpose of providing the Authorized Improvements and the Developer and each owner of Assessed Property is acting in its interest by consenting to this imposition;
3. The highest and best use of the Assessed Property is the use of the Assessed Property that is most valuable (including any costs associated with the use of the Assessed Property);
4. Financing of the Actual Costs of the Authorized Improvements through the PID is determined to be the most beneficial means of providing for the Authorized Improvements; and,
5. As a result, the special benefits to the Assessed Property from the Authorized Improvements will be equal to or greater than the Assessments.

C. ASSESSMENT METHODOLOGY

The Actual Costs of the Authorized Improvements may be assessed by the City Council against the Assessed Property so long as the special benefit conferred upon the Assessed Property by the Authorized Improvements equals or exceeds the Assessments. The Actual Costs of the Authorized Improvements may be assessed using any methodology that results in the imposition of equal shares of the Actual Costs of Authorized Improvements on Assessed Property similarly benefited.

For the purpose of this Service and Assessment Plan, the City Council has determined that the Budgeted Costs of the Authorized Improvements to be financed with the Series 2022 PID Bonds and by the Developer under the Completion Agreement (which costs are subject to reimbursement pursuant to the PID Reimbursement Agreement) shall be allocated to the Assessed Property by spreading the entire Assessment across the Parcels based on the estimated number of Equivalent Units anticipated to be developed on each Parcel within the PID.

Based on the Budgeted Costs of the Authorized Improvements, as set forth in Table III-B, the City Council has determined that the benefit to the Assessed Property of the Authorized Improvements is at least equal to the Assessments levied on the Assessed Property.

Upon subsequent divisions of any Parcel, the Assessment applicable to such divided parcel will then be apportioned pro rata based on the estimated number of Equivalent Units of each newly created Parcel. For residential Lots, when final residential building sites are platted, Assessments will be apportioned proportionately among each Parcel based on the ratio of the estimated number of Equivalent Units at the time residential Lots are platted to the total estimated number of Equivalent Units of all Lots in the platted Parcel, as determined by the Administrator and confirmed by the City Council. For non-residential Parcels, when final building sites are platted, Assessments will be apportioned proportionately among each Parcel based on the ratio of the estimated number of Equivalent Units at the time non-residential Parcels are platted to the total estimated number of Equivalent Units in the platted Parcel, as determined by the Administrator and confirmed by the City Council.

The Assessment and Annual Installments for each Parcel or Lot located within the PID is shown on the Assessment Roll, attached as Appendix G, and no Assessment shall be changed except as authorized by this Service and Assessment Plan or the PID Act.

D. ASSESSMENTS

The Assessments for the Series 2022 PID Bonds and PID Reimbursement Agreement will be levied on each Parcel or Lot according to the Assessment Roll, as shown in Appendix G. The Annual Installments for the Series 2022 PID Bonds and PID Reimbursement Agreement will be collected on the dates and in the amounts shown on the Assessment Roll subject to revisions made during an Annual Service Plan Update. Non-Benefited Property will not be subject to any Assessments.

See Appendix E for Assessment per Equivalent Unit, leverage, and estimated tax rate equivalent calculation details.

E. MAINTENANCE ASSESSMENT

The annual Maintenance Assessment, if any, may be assessed using any methodology that results in the imposition of equal shares of the Maintenance Assessment on Assessed Property similarly benefited. For purpose of this Service and Assessment Plan, the City Council has determined that the Maintenance Assessment to be collected in any given year, if needed, shall be allocated to each Parcel based on a ratio of the taxable assessed value for each Parcel to the aggregate taxable assessed value of all Parcels subject to the Maintenance Assessment.

F. ADMINISTRATIVE EXPENSES

The cost of administering the PID and collecting the Annual Installments shall be paid for on a pro rata basis by each Parcel based on the amount of Assessment levied against the Parcel. The Administrative Expenses shall be collected as part of and in the same manner as Annual Installments in the amounts shown on each Assessment Roll, attached as Appendix G, which may be revised based on Actual Costs incurred in Annual Service Plan Updates.

G. DELINQUENCY AND PREPAYMENT RESERVE

Pursuant to the PID Act, the interest rate for Assessments securing Bonds may exceed the actual interest rate per annum paid on the related Bonds by no more than the Additional Interest Rate. The interest rate used to determine the Assessments is one half of one percent (0.50%) per annum higher than the actual rate paid on the Bonds, with the Additional Interest allocated to fund a reserve to be used for paying interest associated with an Assessment prepayment and to offset any possible Assessment delinquency related costs (the “Delinquency and Prepayment Reserve”). The Delinquency and Prepayment Reserve shall be funded until it reaches 5.50% of the outstanding principal amount of Bonds unless otherwise stipulated in the Trust Indenture(s). Once the Delinquency and Prepayment Reserve is funded in full, the City may allocate the Additional Interest Component of the Annual Installments as provided in the applicable Trust Indenture.

The interest on the Assessment securing the payments under the PID Reimbursement Agreement shall be collected at rates established under the PID Reimbursement Agreement as part of the Annual Installment. Additional Interest cannot be collected on the Assessment securing the payments under the PID Reimbursement Agreement.

H. TIRZ ANNUAL CREDIT AMOUNT

Pursuant to the TIRZ Ordinance, the City, the County, and the Drainage District have agreed to use TIRZ Revenues, representing 50% of the incremental real property tax revenue generated from the maintenance and operations (M&O) portion of the respective tax rate of each such taxing entity on each Parcel, to offset the principal and interest portion of such Parcel’s Annual Installment. The Annual Installment for each Parcel shall be calculated by taking into consideration any TIRZ Annual Credit Amount applicable to the Parcel then deposited into the TIRZ No. 1 tax increment fund. The TIRZ Annual Credit Amount applicable to each Parcel shall be calculated as described under Section VI of this Service and Assessment Plan.

(remainder of this page is intentionally left blank)

VI. TERMS OF THE ASSESSMENTS

A. AMOUNT OF ASSESSMENTS AND ANNUAL INSTALLMENTS FOR PARCELS LOCATED WITHIN THE PID

The Assessment and Annual Installments for each Assessed Property located within the PID are shown on the Assessment Rolls, attached as Appendix G, and no Assessment shall be changed except as authorized by this Service and Assessment Plan and the PID Act.

The Annual Installments shall be collected from the Assessed Property in an amount sufficient to (i) pay principal and interest on the Bonds, (ii) pay principal and interest on amounts due under the PID Reimbursement Agreement or any Additional PID Bonds that may be issued to refinance the payments due under the PID Reimbursement Agreement or to directly pay Actual Costs of the Authorized Improvements (which costs are reimbursable to the Developer under the PID Reimbursement Agreement), (iii) fund the Delinquency and Prepayment Reserve described in Section V.F, and (iv) pay Administrative Expenses related to the PID. The Annual Installment for each Parcel in the PID shall be calculated by taking into consideration any available capitalized interest and TIRZ Annual Credit Amount applicable to the Parcel. The TIRZ Annual Credit Amount shall be calculated separately for each Parcel in the PID and such TIRZ Annual Credit Amount shall be applied on a Parcel-by-Parcel basis. As described in Section V.G, the TIRZ Revenues attributable to each Parcel of Assessed Property in the PID collected in any given year shall be used to calculate each Parcel's TIRZ Annual Credit Amount for such Parcel in the following year (i.e., TIRZ Revenues collected in 2022 shall be used to calculate the TIRZ Annual Credit Amount applicable to Annual Installments to be collected in 2023). TIRZ Annual Credit Amounts shall be calculated for those Parcels in the PID that are subject to Assessments. The number of Equivalent Units to be used for the calculation of the TIRZ Annual Credit Amount, if applicable, shall be determined by the Administrator based on the information available to the Administrator at the time of such calculations.

B. REALLOCATION OF ASSESSMENTS

1. Subdivision

Upon the subdivision of any Parcel of Assessed Property, the Assessment for the Parcel prior to the subdivision shall be reallocated among the new subdivided Parcels according to the following formula:

$$A = B \times (C \div D)$$

Where the terms have the following meanings:

- A = the Assessment for each new subdivided Parcel
- B = the Assessment for the Parcel prior to subdivision
- C = the estimated number of Equivalent Units to be built on each new subdivided Parcel

D = the sum of the estimated number of Equivalent Units to be built on all of the new subdivided Parcels

The calculation of the estimated number of Equivalent Units to be built on a Parcel shall be performed by the Administrator and confirmed by the City Council based on the information available regarding the use of the Parcel. The estimate as confirmed shall be conclusive. The number of Equivalent Units to be built on a Parcel may be estimated by net land area and reasonable density ratios (based on anticipated use).

The sum of the Assessments for all newly subdivided Parcels shall equal the Assessment for the Parcel prior to subdivision. The calculation shall be made separately for each newly subdivided Parcel. The reallocation of an Assessment for a Parcel that is a homestead under Texas law may not exceed the Assessment prior to the reallocation and to the extent the reallocation would exceed such amount, it shall be prepaid by such amount by the party requesting the subdivision of the Parcels. Any reallocation pursuant to this section shall be reflected in an Annual Service Plan Update approved by the City Council.

2. Consolidation

Upon the consolidation of two or more Parcels, the Assessment for the consolidated Parcel shall be the sum of the Assessments for the Parcels prior to consolidation. The reallocation of an Assessment for a Parcel that is a homestead under Texas law may not exceed the Assessment prior to the reallocation and to the extent the reallocation would exceed such amount, it shall be prepaid by such amount by the party requesting the consolidation of the Parcels. Any reallocation pursuant to this section shall be reflected in an Annual Service Plan Update approved by the City Council.

C. MANDATORY PREPAYMENT OF ASSESSMENTS

1. If a Parcel subject to Assessments is transferred to a party that is exempt from the payment of the Assessment under applicable law, or if an owner causes a Parcel subject to Assessments to become Non-Benefited Property, the owner of such Parcel shall pay to the City the full amount of the principal portion of the Assessment on such Parcel, plus all Prepayment Costs and Delinquent Collection Costs, if any, prior to any such transfer or act.
2. If at any time the Assessment per Equivalent Unit on a Parcel exceeds the applicable Maximum Assessment per Equivalent Unit calculated in this Service and Assessment Plan as a result of any changes in land use, subdivision, consolidation or reallocation of the Assessment authorized by this Service and Assessment Plan and initiated by the owner of the Parcel, then such owner shall pay to the City prior to the recordation of the document subdividing the Parcel the amount calculated by the Administrator by which the Assessment per Equivalent Unit for the Parcel exceeds the applicable Maximum Assessment per Equivalent Unit calculated in this Service and Assessment Plan.
3. The payments required above shall be treated the same as any Assessment that is due and owing under the PID Act, the Assessment Ordinance, and this Service and Assessment Plan,

including the same lien priority, penalties, procedures, and foreclosure specified by the PID Act.

D. REDUCTION OF ASSESSMENTS

1. If after all Authorized Improvements to be funded with a series of Bonds have been completed and Actual Costs for such Authorized Improvements are less than the Budgeted Costs of the Authorized Improvements used to calculate the Assessments securing such series of Bonds, resulting in excess Bond proceeds being available to redeem Bonds of such series, and such excess Bond proceeds shall be applied to redeem Bonds as provided in the applicable Trust Indenture, then the Assessment securing such series of Bonds for each Parcel of Assessed Property shall be reduced by the City Council pro rata such that the sum of the resulting reduced Assessments for all Assessed Properties equals the actual reduced Actual Costs. The Assessments shall not be reduced to an amount less than the principal amount of the related outstanding series of Bonds. If all of the Authorized Improvements are not completed, the City may reduce the Assessments in another method if it determines such method would better reflect the benefit received by the Parcels from the Authorized Improvements completed.
2. If all the Authorized Improvements are not undertaken, resulting in excess Bond proceeds being available to redeem Bonds, and such excess Bond proceeds shall be applied to redeem Bonds as provided in the applicable Trust Indenture, then the Assessments and Annual Installments for each Parcel shall be appropriately reduced by the City Council to reflect only the amounts required to repay the Bonds, including interest on the Bonds and Administrative Expenses. The City Council may reduce the Assessments and the Annual Installments for each Parcel (i) in an amount that represents the Authorized Improvements provided for each Parcel or (ii) by an equal percentage calculated based on number of Equivalent Units, if determined by the City Council to be the most fair and practical means of reducing the Assessments for each Parcel, such that the sum of the resulting reduced Assessments equals the amount required to repay the Bonds, including interest on the Bonds and Administrative Expenses. The principal portion of the Assessment for each Parcel shall be reduced pro rata to the reduction in the Assessments for each Parcel such that the sum of the resulting reduced principal portion of the Bonds is equal to the outstanding principal amount of the Bonds.

E. PAYMENT OF ASSESSMENTS

1. Payment in Full

- (a) The Assessment for any Parcel may be paid in full at any time. Such payment shall include all Prepayment Costs.
- (b) If an Annual Installment has been billed prior to payment in full of an Assessment, the Annual Installment shall be due and payable and shall be credited against the payment-in-full amount.
- (c) Upon payment in full of the Assessment and all Prepayment Costs, the City shall deposit the payment in accordance with the Trust Indenture(s); whereupon, the Assessment shall be

reduced to zero, and the owner's obligation to pay the Assessment and Annual Installments thereof shall automatically terminate.

- (d) At the option of the owner, the Assessment on any Parcel plus Prepayment Costs may be paid in part in an amount sufficient to allow for a convenient redemption of Bonds as determined by the Administrator. Upon the payment of such amounts for a Parcel, the Assessment for the Parcel shall be reduced, the Assessment Roll shall be updated to reflect such partial payment, and the obligation to pay the Annual Installment for such Parcel shall be reduced to the extent the partial payment is made.

2. Payment in Annual Installments

The PID Act provides that an Assessment for a Parcel may be paid in full at any time. If not paid in full, the PID Act authorizes the Assessment to be paid in installments and additionally allows the City to collect interest, administrative expenses and other authorized charges in installments. An Assessment for a Parcel that is not paid in full will be collected in Annual Installments each year in the amounts shown on the Assessment Roll, as updated as provided for herein, which include interest, Administrative Expenses, and payments required for the Delinquency and Prepayment Reserve. Payment of the Annual Installments shall commence with tax bills mailed after the issuance of the Series 2022 PID Bonds. Interest on the Series 2022 PID Bonds is based on an estimated interest rate of 4.50%. Interest on the PID Reimbursement Agreement shall be paid based on an estimated interest rate of 4.62% per annum for years 1 through 5 and 4.62% per annum following the fifth Annual Installment. The interest on the PID Reimbursement Agreement shall be paid at a rate not to exceed five hundred basis points (5.00%) above the highest average index rate for tax-exempt bond reported in a daily or weekly bond index approved by the City and reported in the month prior to the establishment of the Assessments and continuing for a period of five years from such date. Such rate shall then adjust and shall not exceed two hundred basis points (2.00%) above the bond index rate described above and shall continue until the Assessments are paid in full. The index approved by the City is the *Bond Buyer Index* for which the highest average rate during the previous thirty days prior to the levy of Assessments was 2.62%. The City has determined that the PID Reimbursement Agreement shall bear interest at the interest rate of 4.62% per annum for years 1 through 5 and 4.62% per annum following the fifth Annual Installment, which rates are equal to or less than the initial maximum allowable rate of interest of 7.62% for years 1 through 5 and equal to the maximum allowable rate of interest following the fifth Annual Installment, which would be 4.62%. Furthermore, the Annual Installments may not exceed the amounts shown on the Assessment Roll. The Assessment Roll is shown as Appendix G.

The Annual Installments shall be reduced to equal the Actual Costs of repaying the Series 2022 PID Bonds and amounts due under the PID Reimbursement Agreement and the Additional Bonds, if any, and actual Administrative Expenses (as provided for in the definition of such term), taking into consideration any other available funds for these costs, such as interest income on account balances.

The City reserves and shall have the right and option to refund the Series 2022 PID Bonds in accordance with Section 372.027 of the PID Act. In the event of such refunding, the Administrator

shall recalculate the Annual Installments, and if necessary, may adjust, or decrease, the amount of the Annual Installments so that total Annual Installments of Assessments will be produced in annual amounts that are required to pay the Additional Bonds that are refunding bonds when due and payable as required by and established in the ordinance and/or the Trust Indenture authorizing and securing such refunding bonds, and such refunding bonds shall constitute Bonds for purposes of this Service and Assessment Plan.

F. COLLECTION OF ANNUAL INSTALLMENTS

No less frequently than annually, the Administrator shall prepare, and the City Council shall consider, an Annual Service Plan Update to allow for the billing and collection of Annual Installments. Each Annual Service Plan Update shall include updated Assessment Rolls and a calculation of the Annual Installment for each Parcel. Administrative Expenses shall be allocated among Parcels in proportion to the amount of the Annual Installments for the Parcels. Each Annual Installment shall be reduced by any credits applied under the applicable Trust Indenture, such as capitalized interest, interest earnings on any account balances, and any other funds available to the Trustee for such purpose, including any existing deposits for a prepayment reserve and any applicable TIRZ Annual Credit Amount. Annual Installments shall be collected by the City or on the City's behalf in the same manner and at the same time as ad valorem taxes and shall be subject to the same penalties, procedures, and foreclosure sale in case of delinquencies as are provided for ad valorem taxes of the City. The City Council may provide for other means of collecting the Annual Installments to the extent permitted under the PID Act. The Assessments shall have lien priority as specified in the PID Act.

Each Annual Installment, including the interest on the unpaid amount of an Assessment, shall be updated annually. Each Annual Installment together with interest thereon shall be due when billed and delinquent if not paid prior to February 1 of the following year. Collection of the initial Annual Installments relating to the Authorized Improvements that benefit the Assessed Property will be due when billed and will be delinquent if not paid prior to February 1, 2023.

Any sale of property for nonpayment of the Annual Installments shall be subject to the lien established for the remaining unpaid Annual Installments against such property and such property may again be sold at a judicial foreclosure sale if the purchaser thereof fails to make timely payment of the non-delinquent Annual Installments against such property as they become due and payable.

(remainder of this page is intentionally left blank)

VII. THE ASSESSMENT ROLL

A. ASSESSMENT ROLL

The City Council has evaluated each Parcel in the PID (based on numerous factors such as the applicable zoning for developable area, the use of proposed Property Owner Association Property, the Public Property, the types of public improvements, and other development factors deemed relevant by the City Council) to determine the amount of Assessed Property within the PID.

The Assessed Property has been assessed for the special benefits conferred upon the property resulting from the Authorized Improvements. Table VII-A summarizes the \$28,806,452 in special benefit received by the Assessed Property from the Authorized Improvements, the costs of the PID formation, and the Series 2022 PID Bonds issuance costs. The amount of the Series 2022 PID Bonds and amounts due under the PID Reimbursement Agreement is \$28,806,452, which is equal to the benefit received by the Assessed Property. The total Assessment to be applied to all the Assessed Property is \$28,806,452, which is equal to the benefit received by the Assessed Property. The Assessment for each Assessed Property is calculated based on the allocation methodology described in Section V.C. The Assessment Rolls are attached hereto as Appendix G.

Table VII-A
Special Benefit Summary

| Special Benefit | Total Cost |
|--|---------------------|
| Total Authorized Improvements (a) | \$26,125,819 |
| PID Formation/Bond Costs of Issuance: | |
| Debt Service Reserve Fund | \$758,900 |
| Administrative Expenses | \$50,000 |
| Capitalized Interest | \$815,583 |
| Cost of Issuance | \$704,100 |
| Underwriters Discount | \$352,050 |
| <i>PID Formation/Bond Cost of Issuance</i> | <i>\$2,680,633</i> |
| Total Special Benefit | \$28,806,452 |
| Special Benefit: | |
| Total Special Benefit | \$28,806,452 |
| Projected Assessment | \$28,806,452 |
| Excess Benefit | \$0 |

(a) See Table III-A for details.

B. ANNUAL ASSESSMENT ROLL UPDATES

The Administrator shall prepare, and shall submit to the City Council for approval, annual updates to the Assessment Roll in conjunction with the Annual Service Plan Update to reflect the following matters, together with any other changes helpful to the Administrator or the City and permitted by the PID Act: (i) the identification of each Parcel (ii) the Assessment for each Parcel of Assessed Property, including any adjustments authorized by this Service and Assessment Plan or in the PID Act; (iii) the Annual Installment for the Assessed Property for the year (if the Assessment is payable in Annual Installments); and (iv) payments of the Assessment, if any, as provided by Section VI.E of this Service and Assessment Plan.

Once the Series 2022 PID Bonds are issued and PID Reimbursement Agreement is executed, the Assessment Roll shall be updated. This SAP shall reflect the actual interest on the Series 2022 PID Bonds and PID Reimbursement Agreement on which the Annual Installments shall be paid, any reduction in the Assessments, and any revisions in the Budgeted Costs to be funded by the Bonds and Developer funds.

(remainder of this page is intentionally left blank)

VIII. MISCELLANEOUS PROVISIONS

A. ADMINISTRATIVE REVIEW

The City may elect to designate a third party to serve as Administrator. The City shall notify Developer in writing at least thirty (30) days in advance before appointing a third party Administrator.

To the extent consistent with the PID Act, an owner of an Assessed Parcel claiming that a calculation error has been made in the Assessment Roll(s), including the calculation of the Annual Installment, shall send a written notice describing the error to the City not later than thirty (30) days after the date any amount which is alleged to be incorrect is due prior to seeking any other remedy. The Administrator shall promptly review the notice, and if necessary, meet with the Assessed Parcel owner, consider written and oral evidence regarding the alleged error and decide whether, in fact, such a calculation error occurred.

If the Administrator determines that a calculation error has been made and the Assessment Roll should be modified or changed in favor of the Assessed Parcel owner, such change or modification shall be presented to the City Council for approval to the extent permitted by the PID Act. A cash refund may not be made for any amount previously paid by the Assessed Parcel owner (except for the final year during which the Annual Installment shall be collected or if it is determined there are sufficient funds to meet the expenses of the PID for the current year), but an adjustment may be made in the amount of the Annual Installment to be paid in the following year. The decision of the Administrator regarding a calculation error relating to an Assessment Roll may be appealed to the City Council. Any amendments made to the Assessment Roll(s) pursuant to calculation errors shall be made pursuant to the PID Act.

The decision of the Administrator, or if such decision is appealed to the City Council, the decision of the City Council shall be conclusive as long as there is a reasonable basis for such determination. This procedure shall be exclusive and its exhaustion by any property owner shall be a condition precedent to any other appeal or legal action by such owner.

B. TERMINATION OF ASSESSMENTS

Each Assessment shall be extinguished on the date the Assessment is paid in full, including unpaid Annual Installments, Prepayment Costs, and Delinquent Collection Costs, if any. After the extinguishment of an Assessment and the collection of any delinquent Annual Installments, Prepayment Costs, and Delinquent Collection Costs, the City shall provide the owner of the affected Parcel a recordable “Notice of the PID Assessment Termination”.

C. AMENDMENTS

Amendments to the Service and Assessment Plan can be made as permitted or required by the PID Act and under Texas law.

The City Council reserves the right to the extent permitted by the PID Act to amend this Service and Assessment Plan without notice under the PID Act and without notice to property owners of Parcels:

(i) to correct mistakes and clerical errors; (ii) to clarify ambiguities; and (iii) to provide procedures for the collection and enforcement of Assessments, Prepayment Costs, Delinquent Collection Costs, and other charges imposed by this Service and Assessment Plan.

D. ADMINISTRATION AND INTERPRETATION OF PROVISIONS

The City Council shall administer the PID, this Service and Assessment Plan, and all Annual Service Plan Updates consistent with the PID Act and shall make all interpretations and determinations related to the application of this Service and Assessment Plan unless stated otherwise herein or in the Trust Indenture(s), such determination shall be conclusive.

E. SEVERABILITY

If any provision, section, subsection, sentence, clause or phrase of this Service and Assessment Plan or the application of same to an Assessed Parcel or any person or set of circumstances is for any reason held to be unconstitutional, void or invalid, the validity of the remaining portions of this Service and Assessment Plan or the application to other persons or sets of circumstances shall not be affected thereby, it being the intent of the City Council in adopting this Service and Assessment Plan that no part hereof or provision or regulation contained herein shall become inoperative or fail by reason of any unconstitutionality, voidness or invalidity of any other part hereof, and all provisions of this Service and Assessment Plan are declared to be severable for that purpose.

If any provision of this Service and Assessment Plan is determined by a court to be unenforceable, the unenforceable provision shall be deleted from this Service and Assessment Plan and the unenforceable provision shall, to the extent possible, be rewritten to be enforceable and to give effect to the intent of the City.

(remainder of this page is intentionally left blank)

APPENDIX A
PID MAP

STEEL DYNAMICS



TURNER | RAMIREZ
ARCHITECTS



SOMERSET P.I.D.
District #01

APPENDIX B
ESTIMATED COSTS OF AUTHORIZED IMPROVEMENTS

PUBLIC IMPROVEMENT-SINTON SUBDIVISION

DATE: October 19, 2021

| HARD COSTS | |
|---|-------------|
| SUBTOTAL PAVING IMPROVEMENTS | \$6,636,453 |
| SUBTOTAL STORM SEWER IMPROVEMENTS | \$3,345,641 |
| SUBTOTAL WATER IMPROVEMENTS | \$1,372,496 |
| SUBTOTAL OFF-SITE WATER IMPROVEMENTS | \$70,957 |
| SUBTOTAL SANITARY SEWER IMPROVEMENTS | \$2,081,358 |
| SUBTOTAL OFF-SITE SANITARY SEWER IMPROVEMENTS | \$384,511 |
| SUBTOTAL MISCELLANEOUS ITEMS | \$1,804,974 |

| | |
|---------------------------|---------------------|
| SUBTOTAL HARD COST | \$15,696,389 |
|---------------------------|---------------------|

| SOFT COSTS | |
|---|-------------|
| ENGINEERING, ARCHITECTURE AND LAND PLANNING | \$1,726,600 |
| CITY INSPECTION FEES (3% OF SUBTOTAL HARD COST) | \$470,892 |
| SURVEY FEE | \$1,212,360 |
| LEGAL FEE | \$100,000 |
| ENVIRONMENTAL ASSESMENT | \$75,000 |
| FLOOD PLAIN STUDY | \$60,000 |
| PERMITS | \$100,000 |
| INSURANCE | \$100,000 |

| | |
|---------------------------|--------------------|
| SUBTOTAL SOFT COST | \$3,844,852 |
|---------------------------|--------------------|

| | |
|--|---------------------|
| SUBTOTAL HARD COST & SOFT COST | \$19,541,241 |
| 10% CONTINGENCY | \$1,569,639 |
| GENERAL CONTRACTOR FEE (10%) | \$1,569,639 |
| PROJECT MANAGEMENT (5%) | \$784,819 |
| TOTAL PUBLIC IMPROVEMENT COSTS FINANCED | \$23,465,339 |

| | |
|------------------------------------|-------------|
| POTENTIAL RIGHT-OF-WAY ACQUISITION | \$2,660,480 |
|------------------------------------|-------------|

| | | | | | |
|------------------------------------|--|--|---------------------|--|--|
| PROJECT: SINTON SUBDIVISION | | | DATE: JULY 9, 2021 | | |
| Engineer: Murray F. Hudson, P.E. | | | JOB NO: 43357.C0.01 | | |

| Item | DESCRIPTION | UNIT | ESTIMATED QUANTITY | ESTIMATED QUANTITY+ 5% | UNIT PRICE | TOTAL AMOUNT |
|---|--|------|--------------------|------------------------|----------------|-----------------------|
| A. PAVING IMPROVEMENTS: | | | | | | |
| A1 | Clearing & Grubbing | AC | 66.78 | 70.12 | \$1,050.00 | \$73,624.95 |
| A2 | Excavation | CY | 86,300 | 90,615 | \$6.50 | \$588,997.50 |
| A3 | *Borrow | CY | 2,500 | 2,625 | \$16.00 | \$42,000.00 |
| A4 | 2" Type 'D' HMAC Including Prime Coat | SY | 60,497 | 63,522 | \$22.00 | \$1,397,480.70 |
| A5 | 6" Flexible Base (TY A, GR 1) | SY | 39,561 | 41,539 | \$22.00 | \$913,859.10 |
| A6 | 8" Flexible Base (TY A, GR 1) | SY | 45,678 | 47,962 | \$30.00 | \$1,438,857.00 |
| A7 | 3" Flexible Base (TY A, GR 1) Under Curb | SY | 13,998 | 14,698 | \$11.00 | \$161,676.90 |
| A8 | 8" Lime Stabilized Subgrade | SY | 85,240 | 89,502 | \$7.00 | \$626,514.00 |
| A9 | 6" 'L' Curb & 'S' Curb | LF | 43,149 | 45,306 | \$17.00 | \$770,209.65 |
| A10 | Sidewalk | SF | 112,939 | 118,586 | \$5.00 | \$592,929.75 |
| A11 | ADA Ramp w/ Detectable Warning | EA | 78 | 82 | \$370.00 | \$30,303.00 |
| SUBTOTAL PART A: PAVING IMPROVEMENTS | | | | | | \$6,636,452.55 |
| *Borrow CY is assumed in-place tight yards | | | | | | |
| B. STORM SEWER IMPROVEMENTS: | | | | | | |
| B1 | Detention Facility | LS | 1 | 1 | \$1,000,000.00 | \$1,000,000.00 |
| B2 | 15" RCP | LF | 1,666 | 1,749 | \$42.00 | \$73,470.60 |
| B3 | 18" RCP | LF | 1,375 | 1,444 | \$53.00 | \$76,518.75 |
| B4 | 24" RCP | LF | 5,431 | 5,703 | \$68.00 | \$387,773.40 |
| B5 | 30" RCP | LF | 2,658 | 2,791 | \$95.00 | \$265,135.50 |
| B6 | 36" RCP | LF | 472 | 496 | \$105.00 | \$52,038.00 |
| B7 | 42" RCP | LF | 256 | 269 | \$160.00 | \$43,008.00 |
| B8 | 52" RCP | LF | 936 | 983 | \$231.00 | \$227,026.80 |
| B9 | 48" RCP | LF | 582 | 611 | \$190.00 | \$116,109.00 |
| B10 | 60" RCP | LF | 916 | 962 | \$262.00 | \$251,991.60 |
| B11 | 5'x5' RCB | LF | 897 | 942 | \$368.00 | \$346,600.80 |
| B12 | OSHA Trench Protection | LF | 15,190 | 15,950 | \$2.00 | \$31,899.00 |
| B13 | 5' Slot Inlet | EA | 65 | 68 | \$3,360.00 | \$229,320.00 |
| B14 | Outfall Structure | EA | 3 | 3 | \$3,990.00 | \$12,568.50 |
| B15 | Storm Junction Box | EA | 40 | 42 | \$5,515.00 | \$231,630.00 |
| B16 | 24" Plug | EA | 1 | 1 | \$525.00 | \$551.25 |
| SUBTOTAL PART B: STORM SEWER IMPROVEMENTS | | | | | | \$3,345,641.20 |
| C. WATER IMPROVEMENTS: | | | | | | |
| C1 | 8" PVC C-900 | LF | 10,873 | 11,417 | \$42.00 | \$479,499.30 |
| C2 | 6" PVC C-900 | LF | 10,369 | 10,887 | \$42.00 | \$457,272.90 |
| C3 | Deflection (Vertical) | EA | 18 | 19 | \$4,725.00 | \$89,302.50 |
| C4 | 8" Gate Valve and Box | EA | 15 | 16 | \$1,470.00 | \$23,152.50 |
| C5 | 6" Gate Valve and Box | EA | 13 | 14 | \$1,470.00 | \$20,065.50 |
| C6 | Fire Hydrant Assembly | EA | 10 | 11 | \$4,725.00 | \$49,612.50 |
| C7 | 8"x6" Ductile Iron Cross | EA | 3 | 3 | \$685.00 | \$2,157.75 |
| C8 | 8"x8" Ductile Iron Tee | EA | 3 | 3 | \$790.00 | \$2,488.50 |
| C9 | 8"x6" Ductile Iron Tee | EA | 5 | 5 | \$685.00 | \$3,596.25 |
| C10 | 6"x6" Ductile Iron Tee | EA | 3 | 3 | \$685.00 | \$2,157.75 |
| C11 | 8"x90 Degree Ductile Bend | EA | 10 | 11 | \$685.00 | \$7,192.50 |
| C12 | 6"x90 Degree Ductile Bend | EA | 10 | 11 | \$685.00 | \$7,192.50 |
| C13 | 6"x45 Degree Ductile Bend | EA | 3 | 3 | \$685.00 | \$2,157.75 |
| C14 | 6"x22.5 Degree Ductile Bend | EA | 3 | 3 | \$685.00 | \$2,157.75 |
| C15 | Long Double Lot Service | EA | 166 | 174 | \$735.00 | \$128,110.50 |
| C16 | Short Double Lot Service | EA | 134 | 141 | \$685.00 | \$96,379.50 |
| SUBTOTAL PART C: WATER IMPROVEMENTS | | | | | | \$1,372,495.95 |
| D. OFF-SITE WATER IMPROVEMENTS | | | | | | |
| D1 | 8" PVC C-900 | LF | 1,409 | 1,479 | \$42.00 | \$62,136.90 |
| D2 | Tie To existing 8" C-900 | EA | 2 | 2 | \$4,200.00 | \$8,820.00 |
| SUBTOTAL PART D: OFF-SITE WATER IMPROVEMENTS | | | | | | \$70,956.90 |

| | | | | | |
|------------------------------------|--|--|---------------------|--|--|
| PROJECT: SINTON SUBDIVISION | | | DATE: JULY 9, 2021 | | |
| Engineer: Murray F. Hudson, P.E. | | | JOB NO: 43357.C0.01 | | |

| Item | DESCRIPTION | UNIT | ESTIMATED QUANTITY | ESTIMATED QUANTITY+ 5% | UNIT PRICE | TOTAL AMOUNT |
|--|--|------|--------------------|------------------------|----------------|------------------------|
| E. SANITARY SEWER IMPROVEMENTS: | | | | | | |
| E1 | 8" PVC SDR 26 (Upto 8' Cut) | LF | 10,677 | 11,211 | \$60.00 | \$672,651.00 |
| E2 | 12" PVC SDR 26 (8'-10' Cut) | LF | 639 | 671 | \$90.00 | \$60,385.50 |
| E3 | 12" PVC SDR 26 (Upto 8' Cut) | LF | 1,385 | 1,454 | \$90.00 | \$130,882.50 |
| E4 | 15" PVC SDR 26 (6'-8' Cut) | LF | 610 | 641 | \$100.00 | \$64,050.00 |
| E5 | 15" PVC SDR 26 (8'-10' Cut) | LF | 1,250 | 1,313 | \$110.00 | \$144,375.00 |
| E6 | 15" PVC SDR 26 (10'-12' Cut) | LF | 1,250 | 1,313 | \$120.00 | \$157,500.00 |
| E7 | 15" PVC SDR 26 (12'-14' Cut) | LF | 603 | 633 | \$130.00 | \$82,309.50 |
| E8 | OSHA Trench Protection | LF | 16,414 | 17,235 | \$2.00 | \$34,469.40 |
| E9 | Embedment | LF | 16,414 | 17,235 | \$7.00 | \$120,642.90 |
| E10 | 4' Diameter Manhole | EA | 28 | 29 | \$7,350.00 | \$216,090.00 |
| E11 | 5' Diameter Manhole | EA | 17 | 18 | \$9,450.00 | \$168,682.50 |
| E12 | 6" Sewer Cap | EA | 2 | 2 | \$525.00 | \$1,102.50 |
| E13 | Short Lot Service (4") | EA | 117 | 123 | \$682.50 | \$83,845.13 |
| E14 | Long Lot Service (4") | EA | 183 | 192 | \$682.50 | \$131,142.38 |
| E15 | 6" Cleanout | EA | 11 | 14 | \$945.00 | \$13,230.00 |
| SUBTOTAL PART E: SANITARY SEWER IMPROVEMENTS | | | | | | \$2,081,358.30 |
| F. OFF-SITE SANITARY SEWER IMPROVEMENTS | | | | | | |
| F1 | 8" PVC SDR 26 (Upto 8' Cut) | LF | 652 | 685 | \$70.00 | \$47,922.00 |
| F2 | 15" PVC SDR 26 (14'-16' Cut) | LF | 1,859 | 1,952 | \$150.00 | \$292,792.50 |
| F3 | OSHA Trench Protection | LF | 2,511 | 2,637 | \$2.00 | \$5,022.00 |
| F4 | Embedment | LF | 2,511 | 2,637 | \$7.50 | \$19,774.13 |
| F5 | 5' Diameter Manhole | EA | 1 | 1 | \$9,000.00 | \$9,000.00 |
| F6 | Tie To Lift Station Site | EA | 1 | 1 | \$10,000.00 | \$10,000.00 |
| SUBTOTAL PART F: OFF-SITE SANITARY SEWER IMPROVEMENTS | | | | | | \$384,510.63 |
| G. MISCELLANEOUS ITEMS: | | | | | | |
| G1 | Construction Entrance | EA | 5 | 5 | \$1,995.00 | \$10,473.75 |
| G2 | Inlet Protection | EA | 40 | 42 | \$1,575.00 | \$63,000.00 |
| G3 | Silt Fence | LF | 13,000 | 13,650 | \$5.50 | \$71,500.00 |
| G4 | General Contractor Bonds, Insurance, Profit and Overhead | LS | 1 | 1 | \$1,500,000.00 | \$1,500,000.00 |
| G5 | Street Lights | LS | 1 | 1 | \$100,000.00 | \$100,000.00 |
| G6 | Signage | LS | 1 | 1 | \$60,000.00 | \$60,000.00 |
| SUBTOTAL PART G. MISCELLANEOUS ITEMS | | | | | | \$1,804,973.75 |
| OPCC Summary | | | | | | |
| SUBTOTAL PART A: PAVING IMPROVEMENTS | | | | | | \$6,636,452.55 |
| SUBTOTAL PART B: STORM SEWER IMPROVEMENTS | | | | | | \$3,345,641.20 |
| SUBTOTAL PART C: WATER IMPROVEMENTS | | | | | | \$1,372,495.95 |
| SUBTOTAL PART D: OFF-SITE WATER IMPROVEMENTS | | | | | | \$70,956.90 |
| SUBTOTAL PART E: SANITARY SEWER IMPROVEMENTS | | | | | | \$2,081,358.30 |
| SUBTOTAL PART F: OFF-SITE SANITARY SEWER IMPROVEMENTS | | | | | | \$384,510.63 |
| SUBTOTAL PART G. MISCELLANEOUS ITEMS | | | | | | \$1,804,973.75 |
| PROJECT SUBTOTAL* | | | | | | \$15,696,389.28 |
| 10% CONTINGENCY | | | | | | \$1,569,638.93 |
| PROJECT TOTAL | | | | | | \$17,266,028.20 |

*All prices are current. No adjustments are made for future construction timeline.

APPENDIX C
LEGAL DESCRIPTION



Job No. 43357.00.00
June 29, 2021

177.36 Acre Tract

STATE OF TEXAS
COUNTY OF SAN PATRICIO

Fieldnotes for a 177.36 Acre Tract of Land, situated in the John Henderson Survey, Abstract Number 156, and the Archibald Herron Survey, Abstract Number 166, comprising portions of a 122.77 Acre Tract, a 77.24 Acre Tract, and a 514.98 Acre Tract, as described by deed recorded in Volume 109, Page 435 Deed Records of San Patricio County, Texas, being all of Lots 2 and 3, Odem Subdivision Unit 5, a map of which is recorded in Volume 13, Pages 100-101, of the Map Records of San Patricio County, Texas, SAVE and EXCEPT a 0.85 Acre Tract, as described in Transfer of Ownership of Note and Lien from J.L. Barth Company to C & C Management Inc, recorded in Document Number 561549, of the Official Public Records of San Patricio County, Texas; said 177.36 Acre Tract being more fully described by metes and bounds to wit as follows:

Beginning, at a 5/8 Inch Iron Rod with red plastic cap stamped "URBAN ENG CCTX" Set, at the intersection of the Southwest Right-of-Way line of State Highway 89 (US 181) and the North boundary line of the said 122.77 Acre Tract, for the Northeast corner of this Tract and the **POINT of BEGINNING**;

Thence, South 28°55'06" East, with the said Southwest Right-of-Way line of State Highway 89, over and across the said 122.77 Acre Tract, a distance of 190.79 Feet, to a TXDOT Type II Monument Found, for a corner of this Tract;

Thence, South 24°54'49" East, continuing with the said Southwest Right-of-Way line of State Highway 89, over and across the said 122.77 and 77.24 Acre Tracts, at 181.16 Feet, pass a 5/8 Inch Iron Rod with a plastic cap stamped "RPLS 1907" Found, in all a distance of 1,342.31 Feet, to a TXDOT Type II Monument Found, for a corner of this Tract;

Thence, South 20°54'49" East, continuing with the said Southwest Right-of-Way line of State Highway 89, over and across the said 77.24 and 514.98 Acre Tracts, a distance of 1,733.57 Feet, to a 5/8 Inch Iron Rod with red plastic cap stamped "URBAN ENG CCTX" Set, for a corner of this Tract;

Thence, South 34°41'01" West, continuing with the said Southwest Right-of-Way line of State Highway 89, over and across said 514.98 Acre Tract a distance of 113.00 Feet, to a 5/8 Inch Iron Rod with red plastic cap stamped "URBAN ENG CCTX" Set, on the North Right-of-Way line of State Highway 188, for a Southeast corner of this Tract;

Thence, North 89°43'09" West, with the said North Right-of-Way line of State Highway 188, over and across the said 514.98 Acre Tract, a distance of 1,986.86 Feet, to a point from **Whence** a 5/8 Inch Iron Rod Found, bears North 02°02'55" West, a distance of 1.30 Feet, for the Southeast corner of Lot 1, of the said Odem Subdivision Unit 5, and for an outside ell corner of this Tract;

S:\Surveying\43357\0000\OFFICE\METES AND BOUNDS\FN433570000_NW SECTION Revised.DocxPage 1 of 1

OFFICE: (361)854-3101

2725 SWANTNER DR. • CORPUS CHRISTI, TEXAS 78404

FAX (361)854-6001

www.urbaneng.com

TBPE Firm # 145 • TBPLS Firm # 10032400

Appendix C – Page 40

Thence, North 00°28'31" West, departing the said North Right-of-Way line of State Highway 188, with the East boundary line of the said Lot 1, over and across the said 514.98 Acre Tract, a distance of 756.33 Feet, to a 5/8 Inch Iron Rod Found, for the Northeast corner of the said Lot 1, and for an inside ell corner of this Tract;

Thence, North 89°38'16" West, with the North boundary line of the said Lot 1, over and across the said 514.98 Acre Tract, a distance of 400.00 Feet, to a 5/8 Inch Iron Rod with red plastic cap stamped "URBAN ENG CCTX" Set, being the Northwest corner of the said Lot 1, the Northeast corner of Lot 2, of the said Odem Subdivision Unit 5, and for an inside ell corner of this Tract;

Thence, South 00°28'31" East, with the West boundary line of the said Lot 1, the East boundary line of the said Lot 2, over and across said 514.98 Acre Tract, a distance of 556.89 Feet, to a 5/8 Inch Iron Rod with a red plastic cap stamped "URBAN ENGR CCTX" Set, for the Northeast corner of the said 0.85 Acre Tract, and for an outside ell corner of this Tract;

Thence, North 89°38'32" West, with the North boundary line of the said 0.85 Acre Tract, over and across the said 514.98 Acre Tract, the said Lot 2, and Lot 3, of the said Odem Subdivision Unit 5, at 160.00 Feet, pass the East boundary line of the said Lot 3, the West boundary line of the said Lot 2, in all a distance of 185.01 Feet, to a 5/8 Inch Iron Rod with a red plastic cap stamped "URBAN ENGR CCTX" Set, for the Northwest corner of the said 0.85 Acre Tract, and for an inside ell corner of this Tract;

Thence, South 00°28'31" East, with the West boundary line of the said 0.85 Acre Tract, over and across the said 514.98 Acre Tract and the said Lot 3, at 198.36 Feet, pass a 5/8 Inch Iron Rod Found, in all a distance of 200.25 Feet, to a 5/8 Inch Iron Rod with red plastic cap stamped "URBAN ENG CCTX" Set, on the common boundary line of the said North Right-of-Way line of State Highway 188, and the South boundary line of the said Lot 3, for the Southwest corner of the said 0.85 Acre Tract, and for an outside ell corner of this Tract;

Thence, North 89°43'09" West, with the said common boundary line, over and across the said 514.98 Acre Tract, a distance of 197.95 Feet, to a 5/8 Inch Iron Rod with red plastic cap stamped "URBAN ENG CCTX" Set, for the Southeast corner of a 2.2977 Acre Tract out the A. Herron Survey Abstract 166, described by deed recorded in Document Number 678459 of the Official Public Records of San Patricio County, Texas, and for the Southwest corner of the said Lot 3 and this Tract;

Thence, North 00°30'54" West, departing the said North Right-of-Way line of State Highway 188, over and across the said 514.98 Acre Tract, with the West boundary line of the said Lot 3, the East boundary line of the said 2.2977 Acre Tract, a distance of 392.63 Feet, to a 5/8 Inch Iron Rod Found, for the Northeast corner of the said 2.2977 Acre Tract, the Northwest corner of the said Lot 3, a point on the South boundary line of a 3.5 Acre Tract referenced in a Corrected Warranty Deed from Casa De Oro Apartments Ltd to Assisting Texas with Housing Casa De Oro Apartments Ltd, recorded in Document Number 539094, of the Official Public Records of San Patricio County, Texas, the same 3.5 Acre Tract described in Document Number 268848, of the said Official Public Records, and for an outside ell corner of this Tract;

Thence, North 89°56'26" East, with the North boundary line of the said Lot 3, the South boundary line of the said 3.5 Acre Tract, over and across the said 514.98 Acre Tract, a distance of 140.96 Feet, to a 5/8 Inch Iron Rod with red plastic cap stamped "URBAN ENG CCTX" Set, on the West boundary line of the said Lot 2, for the Southeast corner of the said 3.5 Acre Tract, and for an inside ell corner of this Tract;

Thence, North 00°25'34" West, with the East boundary line of the said 3.5 Acre Tract, the West boundary line of the said Lot 2, over and across the said 514.98 Acre Tract, a distance of 390.12 Feet, to a 5/8 Inch Iron Rod

with red plastic cap stamped "URBAN ENG CCTX" Set, for the Northeast corner of the said 3.5 Acre Tract, and for an inside ell corner of this Tract;

Thence, South 89°56'26" West, with the North boundary line of the said 3.5 Acre Tract, over and across the said 514.98 Acre Tract, a distance of 390.80 Feet, to a 5/8 Inch Iron Rod with red plastic cap stamped "URBAN ENG CCTX" Set, on the East boundary line of a 45 Feet wide Road Access Easement described in Document Number 178021, of the Deed Records of San Patricio County, Texas, for the Northwest corner of the said 3.5 Acre Tract, and for an outside ell corner of this Tract;

Thence, North 00°28'01" West, with the East boundary line of the said 45 Feet wide Road Access Easement, over and across the said 514.98 Acre, 77.24 Acre, and 122.77 Acre Tracts, a distance of 1,319.85 Feet, to a 5/8 Inch Iron Rod with red plastic cap stamped "URBAN ENG CCTX" Set, for the Northeast corner of said 45 Feet wide Road Access Easement, and for an inside ell corner of this Tract;

Thence, South 89°53'49" West, with the North boundary line of the said 45 Feet wide Road Access Easement, over and across the said 122.77 Acre Tract, a distance of 1,367.92 Feet, to a 5/8 Inch Iron Rod with red plastic cap stamped "URBAN ENG CCTX" Set, on the Westerly East boundary line of a 60 Feet wide Road Access Easement, described in Document Number 334258, of the Deed Records of San Patricio County, Texas, for the Northwest corner of the said 45 Feet wide Road Access Easement, and for an outside ell corner of this Tract;

Thence, North 00°06'11" West, with the Westerly East boundary line of the said 60 Feet wide Road Access Easement, over and across the said 122.77 Acre Tract, a distance of 492.34 Feet, to a 5/8 Inch Iron Rod with red plastic cap stamped "URBAN ENG CCTX" Set, being an inside ell corner of the said 60 Feet wide Road Access Easement, for the Northwest corner of this Tract;

Thence, North 81°15'34" East, with a South boundary line of the said 60 Feet wide Road Access Easement, a distance of 3,230.91 Feet, to the **POINT of BEGINNING** and containing 177.36 Acres (7,725,729 SqFt.) of Land more or less.

Grid Bearings and Distances shown hereon are referenced to the Texas Coordinate System of 1983, Texas South Zone 4205, and are based on the North American Datum of 1983(2011) Epoch 2010.00.

Unless this fieldnotes description, including preamble, seal and signature, appears in its entirety, in its original form, surveyor assumes no responsibility for its accuracy. *Also reference accompanying sketch of tract described herein.*



URBAN ENGINEERING

Dan L. Urban
License No.
4710

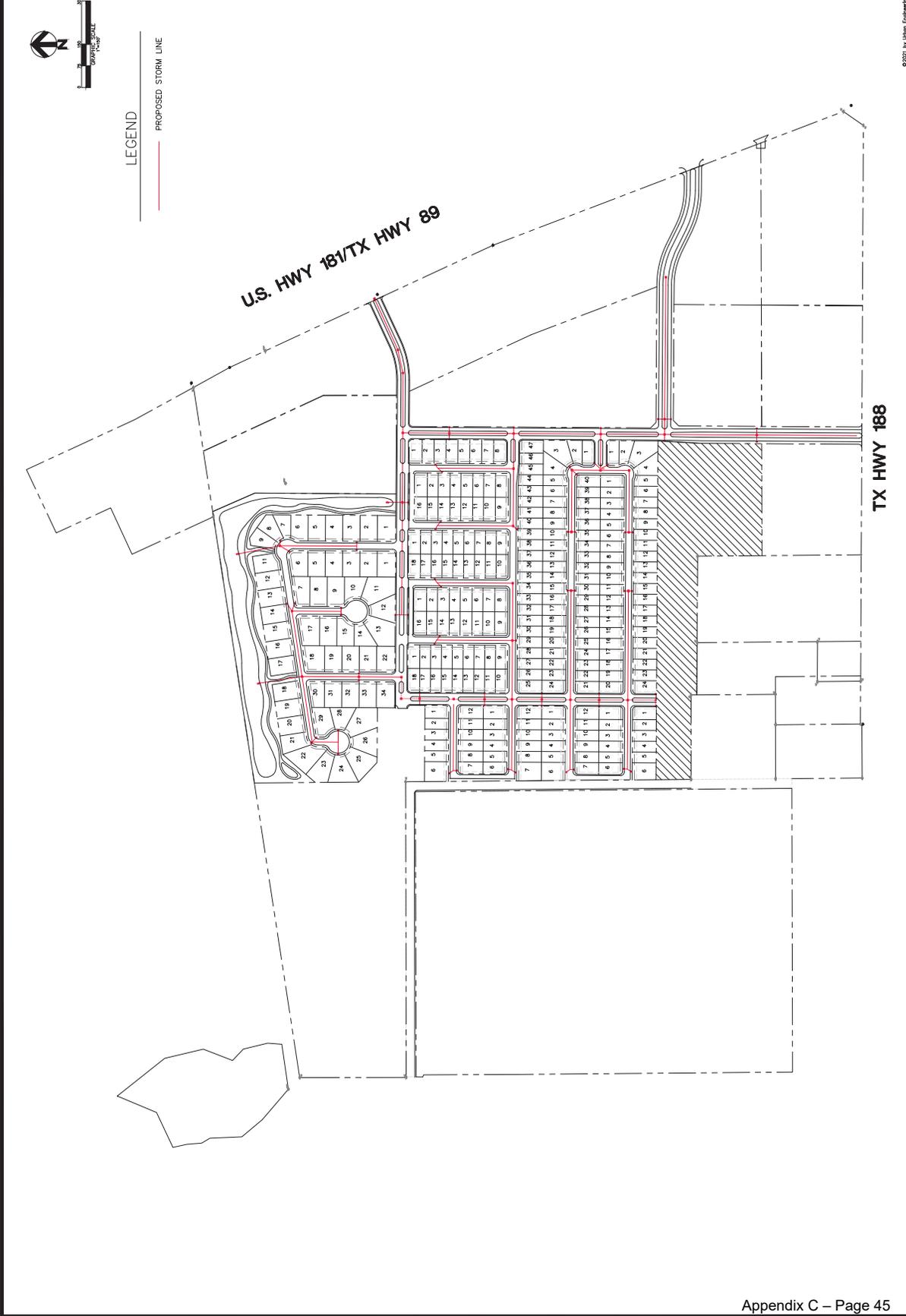
APPENDIX D
DIAGRAMS OF THE AUTHORIZED IMPROVEMENTS



SHEET
EXH
OF XX
JOB NO.
43357.CO.01

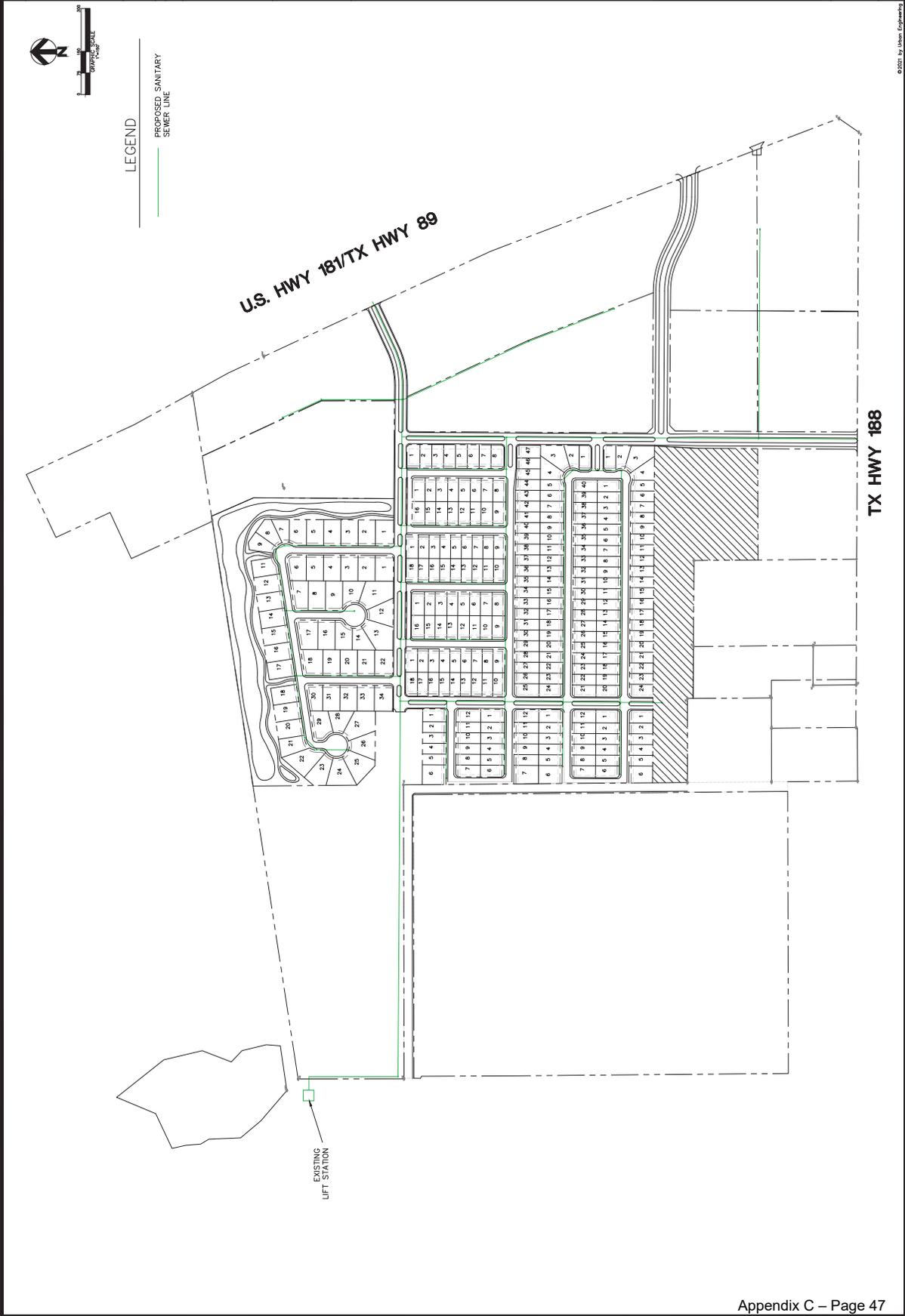
STORM SEWER LAYOUT EXHIBIT
SANTON SUBDIVISION
SANTON, TEXAS

| | | | |
|----------------------|------------------------|----------------------|-----------------------------|
| DATE: APR. 2021 | CHECKED: MFH | DESIGNED: GC | DRAWN: GC |
| TEKAS REG. NO. 79198 | WILBER F. HANSON, P.E. | NOT FOR CONSTRUCTION | FOR PRELIMINARY REVIEW ONLY |
| MAY 8, 2021 | | | |
| REV | BY | DATE | DESCRIPTION |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |



S:\Project\43357\001\3357\001\DWG\Urban\Storm Layout Exhibit.mxd modified by dmc on 7/8/2021 3:47:19 PM

| | | | | | |
|---|--|--|--|------------------------------|------------------------|
|  | | SANTONY SEWER LAYOUT SINTON SUBDIVISION SINTON, TEXAS | | SHEET EXH OF XX | JOB NO. 43357.CO.01 |
| NOT FOR CONSTRUCTION FOR PRELIMINARY REVIEW ONLY | | DATE: APR. 2021 CHECKED: MFM DESIGNED: GC | | DRAWN: GC | |
| TEXAS REG. NO. 79198 WILBURY F. HANSON, P.E. | | MAY 8, 2021 | | DESCRIPTION 1' = 100' | |



LEGEND

PROPOSED SANITARY SEWER LINE



S:\Project\43357\000\43357\DWG\Urban\Sanitary\Sanitary Layout.dwg created by daniel on 7/8/2021 3:16:35 PM

APPENDIX E
ASSESSMENT PER UNIT, PROJECTED LEVERAGE AND PROJECTED TAX RATE
EQUIVALENTS

Appendix E

For purposes of calculating and allocating the Assessments, the Assessed Property has been classified in one of eight Lot Types.

“Lot Type 1” means Lots identified as such on an Assessment Roll, being Lots typically with single family Lots typically with a width of approximately 80 feet and referred to as R-2 in the Zoning Ordinance.

“Lot Type 2” means Lots identified as such on an Assessment Roll, being Lots described as restaurant and referred to as C in the Zoning Ordinance.

“Lot Type 3” means Lots identified as such on an Assessment Roll, being single family Lots typically with a Lot width of approximately 50 feet and referred to as R-2 in the Zoning Ordinance.

“Lot Type 4” means Lots identified as such on an Assessment Roll, being Lots described as office and referred to as C in the Zoning Ordinance.

“Lot Type 5” means Lots identified as such on an Assessment Roll, being Lots described as travel center and referred to as C in the Zoning Ordinance.

“Lot Type 6” means Lots identified as such on an Assessment Roll, being Lots described as retail and referred to as C in the Zoning Ordinance.

“Lot Type 7” means Lots identified as such on an Assessment Roll, being Lots described as multi-family units and referred to as R-2 in the Zoning Ordinance.

“Lot Type 8” means Lots identified as such on an Assessment Roll, being Lots described as hotel and referred to as C in the Zoning Ordinance.

(remainder of this page is intentionally left blank)

A) Proposed Development

Table E-1 shows the proposed Lot Types to be developed within the PID.

Table E-1
Proposed Development within the PID

| Proposed Development | Quantity | Measurement |
|-------------------------------|-----------------|--------------------|
| <u>Residential:</u> | | |
| Single Family - 80 Ft | 55 | Units |
| Single Family - 50 Ft | 405 | Units |
| <i>Subtotal Single Family</i> | <i>460</i> | <i>Units</i> |
| Multi-Family | 692 | Units |
| <u>Commercial:</u> | | |
| Restaurant | 47,500 | GSF |
| Retail | 133,200 | GSF |
| Office | 31,700 | GSF |
| Hotel | 175 | Rooms |
| Travel Center | 6,700 | GSF |
| <i>Subtotal Commercial</i> | <i>219,100</i> | <i>GSF</i> |
| <i>Subtotal Commercial</i> | <i>175</i> | <i>Rooms</i> |

B) Calculation of Equivalent Units

As explained under Section IV, for purpose of this Service and Assessment Plan, the City Council has determined that the Budgeted Costs of the Authorized Improvements to be financed with the Series 2022 PID Bonds and under the terms of the PID Reimbursement Agreement shall be allocated to the Assessed Property by spreading the entire Assessment across the Parcels based on the estimated Equivalent Units.

For purposes of this Service and Assessment Plan, the City Council has determined that the Assessments shall be allocated to the Assessed Property on the basis of the average value of each Lot Type, and that such method of allocation will result in the imposition of equal shares of the Assessments on Parcels similarly benefited. In determining the average value of each Lot Type, the City Council has taken into consideration (i) the type of lots (i.e., 80 Ft lots, 50 Ft lots, Retail, etc.); (ii) current and projected values; (iii) the costs of the Authorized Improvements, and (iv) the ability of different property types (primarily commercial vs residential) to proportionally utilize and benefit from the Authorized Improvements.

Having taken into consideration the matters described above, the City Council has determined that allocating the Assessments among Parcels based on average value is best accomplished by creating classifications of benefited Parcels based on the Lot Types. These classifications from Lot Type 1 (80 Ft Lot) representing the highest value to Lot Type 8 (Hotel) representing the lowest value for Lots are set forth in Table E-2. Assessments are allocated to each Lot Type on the basis of the average value for each class of Lots. This is accomplished by giving each Lot Type an Equivalent Unit factor. Equivalent Units are the ratio of the average value of Lots within each assessment class, setting the Equivalent Unit factor for Lot Type 1 (80 Ft) to 1.0.

Table E-2
Equivalent Unit Factors

| Lot Type | Estimated Average Value¹ | Equivalent Unit Factor | |
|----------------------------|--|-------------------------------|-------------------|
| Lot Type 1 (80 Ft) | \$275,000 | 1.00 | Per Dwelling Unit |
| Lot Type 2 (Restaurant) | \$260,203 | 0.95 | Per 1,000 GSF |
| Lot Type 3 (50 Ft) | \$250,000 | 0.91 | Per Dwelling Unit |
| Lot Type 4 (Office) | \$203,915 | 0.74 | Per 1,000 GSF |
| Lot Type 5 (Travel Center) | \$200,704 | 0.73 | Per 1,000 GSF |
| Lot Type 6 (Retail) | \$142,579 | 0.52 | Per 1,000 GSF |
| Lot Type 7 (Multi-Family) | \$71,000 | 0.26 | Per Dwelling Unit |
| Lot Type 8 (Hotel) | \$49,808 | 0.18 | Per Room |

¹Lot Type 1 and Lot Type 3 average values provided by the Developer. All other Lot Types are based on comparable properties within a 15 mile radius.

The total Equivalent Units for the PID are shown in Table E-3 as calculated based on the Equivalent Unit factors shown in Table E-2, estimated Lot Types and number of units, rooms, and square feet, as applicable, estimated to be built within the PID.

Table E-3
Equivalent Units

| Lot Type | No. of Units/1,000 GSF/Rooms | Equivalent Unit Factor | Total Equivalent Units |
|------------------------------------|-------------------------------------|-------------------------------|-------------------------------|
| Lot Type 1 (Single Family - 80 Ft) | 55 | 1.00 | 55.00 |
| Lot Type 2 (Restaurant) | 47.5 | 0.95 | 45.13 |
| Lot Type 3 (Single Family - 50 Ft) | 405 | 0.91 | 368.55 |
| Lot Type 4 (Office) | 31.7 | 0.74 | 23.46 |
| Lot Type 5 (Travel Center) | 6.7 | 0.73 | 4.89 |
| Lot Type 6 (Retail) | 133.2 | 0.52 | 69.26 |
| Lot Type 7 (Multi-Family) | 692 | 0.26 | 179.92 |
| Lot Type 8 (Hotel) | 175 | 0.18 | 31.50 |
| Total | | | 777.71 |

C) Allocation of Assessments to Lots within the PID

The total amount of the Series 2022 PID Bonds and the amount due under the PID Reimbursement Agreement, which represents the total Assessment to be allocated on all Parcels within the PID, is \$28,806,452. As shown in Table E-3, there are a total of 777.71 Equivalent Units, resulting in an Assessment per Equivalent Unit of \$37,040.19 (i.e., \$28,806,452 ÷ 777.71 = \$37,040.19).

Table E-4 sets forth the Assessment per dwelling unit within the PID.

Table E-4
Assessment Per Unit

| Lot Type | Planned No. of Units/1,000 GSF/Rooms | Assessment per Equivalent Unit | Equivalent Unit Factor | Assessment per Equivalent Unit | | Total Assessments |
|-----------------|---|---|---------------------------------------|---------------------------------------|-------------------|------------------------------|
| Lot Type 1 | 55 | \$37,040.19 | 1.00 | \$37,040.19 | Per Dwelling Unit | \$2,037,210 |
| Lot Type 2 | 47.5 | \$37,040.19 | 0.95 | \$35,188.18 | Per 1,000 GSF | \$1,671,439 |
| Lot Type 3 | 405 | \$37,040.19 | 0.91 | \$33,706.57 | Per Dwelling Unit | \$13,651,162 |
| Lot Type 4 | 31.7 | \$37,040.19 | 0.74 | \$27,409.74 | Per 1,000 GSF | \$868,889 |
| Lot Type 5 | 6.7 | \$37,040.19 | 0.73 | \$27,039.34 | Per 1,000 GSF | \$181,164 |
| Lot Type 6 | 133.2 | \$37,040.19 | 0.52 | \$19,260.90 | Per 1,000 GSF | \$2,565,552 |
| Lot Type 7 | 692 | \$37,040.19 | 0.26 | \$9,630.45 | Per Dwelling Unit | \$6,664,271 |
| Lot Type 8 | 175 | \$37,040.19 | 0.18 | \$6,667.23 | Per Room | \$1,166,766 |
| Total | | | | | | \$28,806,452 |

The projected leverage is calculated based on the estimated land values, finished lot values and home values for each unit is shown in Table E-5.

Table E-5
Projected Leverage

| Lot Type | Planned No. of Units/1,000 GSF/Rooms | Estimated Finished Lot Value per Unit/1,000 GSF/Room¹ | Projected Value per Unit/1,000 GSF/Room | Assessment per Equivalent Unit | Leverage (Lot Value) | Leverage (Value per Unit/1,000 GSF/Room) |
|-----------------|---|---|--|---|-------------------------------------|---|
| Lot Type 1 | 55 | \$46,000 | \$275,000 | \$37,040.19 | \$1.24 | \$7.42 |
| Lot Type 2 | 47.5 | \$55,744 | \$260,203 | \$35,188.18 | \$1.58 | \$7.39 |
| Lot Type 3 | 405 | \$34,004 | \$250,000 | \$33,706.57 | \$1.01 | \$7.42 |
| Lot Type 4 | 31.7 | \$55,744 | \$203,915 | \$27,409.74 | \$2.03 | \$7.44 |
| Lot Type 5 | 6.7 | \$55,744 | \$200,704 | \$27,039.34 | \$2.06 | \$7.42 |
| Lot Type 6 | 133.2 | \$55,744 | \$142,579 | \$19,260.90 | \$2.89 | \$7.40 |
| Lot Type 7 | 692 | \$6,069 | \$71,000 | \$9,630.45 | \$0.63 | \$7.37 |
| Lot Type 8 | 175 | \$16,723 | \$49,808 | \$6,667.23 | \$2.51 | \$7.47 |

¹Estimated Lot values for Lot Type 1 and Lot Type 3 are provided by the Developer. Estimated Lot values for Lot Type 7 are based on the appraised value for Tracts 9 & 10 as shown in the appraisal conducted by Flato Realty Advisors divided by the total number of multi-family units (692). Estimated Lot values for the remaining Lot Types are based on the aggregate appraised value for Tracts 2, 3, 4, 5, 6, 7, and 8 as shown in the appraisal conducted by Flato Realty Advisors divided by the total number of gross square feet (271,600 GSF; of which 52,500 GSF is allocable to the 175 hotel units (175 x 300 GSF = 52,500 GSF).

The projected tax rate equivalent is calculated based on the estimated finished lot values and projected average value per unit/1,000 GSF/room is shown in Table E-6.

Table E-6
Estimated Tax Rate Equivalents

| Lot Type | Planned No. of Units/1,000 GSF/Rooms | Estimated Finished Lot Value per Unit/1,000 GSF/Room¹ | Projected Value per Unit/1,000 GSF/Room | Projected Average Annual Installment per Equivalent Unit | Tax Rate Equivalent (per \$100 Lot Value) | Tax Rate Equivalent (per \$100 Value) |
|-----------------|---|---|--|---|--|--|
| Lot Type 1 | 55 | \$46,000 | \$275,000 | \$2,506.53 | \$5.45 | \$0.91 |
| Lot Type 2 | 47.5 | \$55,744 | \$260,203 | \$2,381.21 | \$4.27 | \$0.92 |
| Lot Type 3 | 405 | \$34,004 | \$250,000 | \$2,280.94 | \$6.71 | \$0.91 |
| Lot Type 4 | 31.7 | \$55,744 | \$203,915 | \$1,854.83 | \$3.33 | \$0.91 |
| Lot Type 5 | 6.7 | \$55,744 | \$200,704 | \$1,829.77 | \$3.28 | \$0.91 |
| Lot Type 6 | 133.2 | \$55,744 | \$142,579 | \$1,303.40 | \$2.34 | \$0.91 |
| Lot Type 7 | 692 | \$6,069 | \$71,000 | \$651.70 | \$10.74 | \$0.92 |
| Lot Type 8 | 175 | \$16,723 | \$49,808 | \$451.18 | \$2.70 | \$0.91 |

¹Estimated Lot values for Lot Type 1 and Lot Type 3 are provided by the Developer. Estimated Lot values for Lot Type 7 are based on the appraised value for Tracts 9 & 10 as shown in the appraisal conducted by Flato Realty Advisors divided by the total number of multi-family units (692). Estimated Lot values for the remaining Lot Types are based on the aggregate appraised value for Tracts 2, 3, 4, 5, 6, 7, and 8 as shown in the appraisal conducted by Flato Realty Advisors divided by the total number of gross square feet (271,600 GSF; of which 52,500 GSF is allocable to the 175 hotel units (175 x 300 GSF = 52,500 GSF).

The Assessment and Annual Installments for each Parcel or Lot located within the PID is shown on the Assessment Rolls, attached as Appendix G, and no Assessment shall be changed except as authorized by this Service and Assessment Plan and the PID Act.

APPENDIX F
PID DISCLOSURE

AFTER RECORDING RETURN TO:

_____]

NOTICE OF OBLIGATION TO PAY IMPROVEMENT DISTRICT ASSESSMENT TO
CITY OF SINTON, TEXAS
CONCERNING THE FOLLOWING PROPERTY

PROPERTY ADDRESS

LOT TYPE _____ PRINCIPAL ASSESSMENT: \$ _____

As the purchaser of the real property described above, you are obligated to pay assessments to the City of Sinton Texas (the "City"), for the costs of a portion of a public improvement or services project (the "Authorized Improvements") undertaken for the benefit of the property within ***Somerset Public Improvement District No. 1*** (the "District") created under Subchapter A, Chapter 372, Local Government Code.

AN ASSESSMENT HAS BEEN LEVIED AGAINST YOUR PROPERTY FOR THE AUTHORIZED IMPROVEMENTS, WHICH MAY BE PAID IN FULL AT ANY TIME. IF THE ASSESSMENT IS NOT PAID IN FULL, IT WILL BE DUE AND PAYABLE IN ANNUAL INSTALLMENTS THAT WILL VARY FROM YEAR TO YEAR DEPENDING ON THE AMOUNT OF INTEREST PAID, COLLECTION COSTS, ADMINISTRATIVE COSTS, AND DELINQUENCY COSTS.

The exact amount of the assessment may be obtained from the City. The exact amount of each annual installment will be approved each year by the City Council in the annual service plan update for the district. More information about the assessments, including the amounts and due dates, may be obtained from the City.

Your failure to pay any assessment or any annual installment may result in penalties and interest being added to what you owe or in a lien on and the foreclosure of your property.

¹ To be included in separate copy of the notice required by Section 5.0143, Tex. Prop. Code, to be executed at the closing of the purchase and sale and to be recorded in the deed records of San Patricio County.

[The undersigned purchaser acknowledges receipt of this notice before the effective date of a binding contract for the purchase of the real property at the address described above.

DATE:

DATE:

SIGNATURE OF
PURCHASER

SIGNATURE OF
PURCHASER

The undersigned seller acknowledges providing this notice to the potential purchaser before the effective date of a binding contract for the purchase of the real property at the address described above.

DATE:

DATE:

SIGNATURE OF SELLER

SIGNATURE OF SELLER]²

² To be included in copy of the notice required by Section 5.014, Tex. Prop. Code, to be executed by seller in accordance with Section 5.014(a-1), Tex. Prop. Code.

[The undersigned purchaser acknowledges receipt of this notice before the effective date of a binding contract for the purchase of the real property at the address described above. The undersigned purchaser acknowledged the receipt of this notice including the current information required by Section 5.0143, Texas Property Code, as amended.

DATE:

DATE:

SIGNATURE OF
PURCHASER

SIGNATURE OF
PURCHASER

STATE OF TEXAS §
 §
COUNTY OF SAN PATRICIO §

The foregoing instrument was acknowledged before me by _____ and _____, known to me to be the person(s) whose name(s) is/are subscribed to the foregoing instrument and acknowledged to me that he or she executed the same for the purposes therein expressed.

Given under my hand and seal of office on this _____, 20__.

Notary Public, State of Texas]³

³ To be included in separate copy of the notice required by Section 5.0143, Tex. Prop. Code, to be executed at the closing of the purchase and sale and to be recorded in the deed records of San Patricio County.

The undersigned seller acknowledges providing a separate copy of the notice required by Section 5.014 of the Texas Property Code including the current information required by Section 5.0143, Texas Property Code, as amended, at the closing of the purchase of the real property at the address above.

DATE:

DATE:

SIGNATURE OF SELLER

SIGNATURE OF SELLER

STATE OF TEXAS

§

COUNTY OF SAN PATRICIO

§

§

The foregoing instrument was acknowledged before me by _____ and _____, known to me to be the person(s) whose name(s) is/are subscribed to the foregoing instrument and acknowledged to me that he or she executed the same for the purposes therein expressed.

Given under my hand and seal of office on this _____, 20__.

Notary Public, State of Texas]⁴

⁴ To be included in separate copy of the notice required by Section 5.0143, Tex. Prop. Code, to be executed at the closing of the purchase and sale and to be recorded in the deed records of San Patricio County.

APPENDIX G
PROPOSED ASSESSMENT ROLL

Appendix G-1
Proposed Assessment Roll

**Parcel
Equivalent Units
Assessment**

**All Parcels
777.71
\$28,806,452**

| Year ¹ | Principal ² | Interest ² | Principal ³ | Interest ³ | Administrative Expenses ⁴ | Additional Interest ⁵ | Capitalized Interest | Total Annual Installment ⁶ |
|-------------------|------------------------|-----------------------|------------------------|-----------------------|--------------------------------------|----------------------------------|----------------------|---------------------------------------|
| 9/30/22 | \$0 | \$287,508 | \$0 | \$0 | \$0 | \$0 | (\$287,508) | \$0 |
| 9/30/23 | \$0 | \$528,075 | \$5,000 | \$788,701 | \$51,000 | \$58,675 | (\$528,075) | \$903,376 |
| 9/30/24 | \$215,000 | \$528,075 | \$315,000 | \$788,470 | \$52,020 | \$58,675 | \$0 | \$1,957,240 |
| 9/30/25 | \$225,000 | \$518,400 | \$330,000 | \$773,917 | \$53,060 | \$57,600 | \$0 | \$1,957,977 |
| 9/30/26 | \$235,000 | \$508,275 | \$345,000 | \$758,671 | \$54,122 | \$56,475 | \$0 | \$1,957,543 |
| 9/30/27 | \$245,000 | \$497,700 | \$360,000 | \$742,732 | \$55,204 | \$55,300 | \$0 | \$1,955,936 |
| 9/30/28 | \$255,000 | \$486,675 | \$375,000 | \$726,100 | \$56,308 | \$54,075 | \$0 | \$1,953,158 |
| 9/30/29 | \$265,000 | \$475,200 | \$395,000 | \$708,775 | \$57,434 | \$52,800 | \$0 | \$1,954,209 |
| 9/30/30 | \$280,000 | \$463,275 | \$410,000 | \$690,526 | \$58,583 | \$51,475 | \$0 | \$1,953,859 |
| 9/30/31 | \$290,000 | \$450,675 | \$430,000 | \$671,584 | \$59,755 | \$50,075 | \$0 | \$1,952,089 |
| 9/30/32 | \$305,000 | \$437,625 | \$450,000 | \$651,718 | \$60,950 | \$48,625 | \$0 | \$1,953,918 |
| 9/30/33 | \$320,000 | \$423,900 | \$470,000 | \$630,928 | \$62,169 | \$47,100 | \$0 | \$1,954,097 |
| 9/30/34 | \$335,000 | \$409,500 | \$490,000 | \$609,214 | \$63,412 | \$45,500 | \$0 | \$1,952,626 |
| 9/30/35 | \$350,000 | \$394,425 | \$515,000 | \$586,576 | \$64,680 | \$43,825 | \$0 | \$1,954,506 |
| 9/30/36 | \$365,000 | \$378,675 | \$535,000 | \$562,783 | \$65,974 | \$42,075 | \$0 | \$1,949,507 |
| 9/30/37 | \$380,000 | \$362,250 | \$560,000 | \$538,066 | \$67,293 | \$40,250 | \$0 | \$1,947,859 |
| 9/30/38 | \$400,000 | \$345,150 | \$585,000 | \$512,194 | \$68,639 | \$38,350 | \$0 | \$1,949,333 |
| 9/30/39 | \$420,000 | \$327,150 | \$610,000 | \$485,167 | \$70,012 | \$36,350 | \$0 | \$1,948,679 |
| 9/30/40 | \$440,000 | \$308,250 | \$640,000 | \$456,985 | \$71,412 | \$34,250 | \$0 | \$1,950,897 |
| 9/30/41 | \$460,000 | \$288,450 | \$675,000 | \$427,417 | \$72,841 | \$32,050 | \$0 | \$1,955,758 |
| 9/30/42 | \$480,000 | \$267,750 | \$700,000 | \$396,232 | \$74,297 | \$29,750 | \$0 | \$1,948,029 |
| 9/30/43 | \$500,000 | \$246,150 | \$730,000 | \$363,892 | \$75,783 | \$27,350 | \$0 | \$1,943,175 |
| 9/30/44 | \$525,000 | \$223,650 | \$760,000 | \$330,166 | \$77,299 | \$24,850 | \$0 | \$1,940,965 |
| 9/30/45 | \$550,000 | \$200,025 | \$795,000 | \$295,054 | \$78,845 | \$22,225 | \$0 | \$1,941,149 |
| 9/30/46 | \$575,000 | \$175,275 | \$830,000 | \$258,325 | \$80,422 | \$19,475 | \$0 | \$1,938,497 |
| 9/30/47 | \$605,000 | \$149,400 | \$870,000 | \$219,979 | \$82,030 | \$16,600 | \$0 | \$1,943,009 |
| 9/30/48 | \$630,000 | \$122,175 | \$910,000 | \$179,785 | \$83,671 | \$13,575 | \$0 | \$1,939,206 |
| 9/30/49 | \$665,000 | \$93,825 | \$950,000 | \$137,743 | \$85,344 | \$10,425 | \$0 | \$1,942,337 |
| 9/30/50 | \$695,000 | \$63,900 | \$990,000 | \$93,853 | \$87,051 | \$7,100 | \$0 | \$1,936,904 |
| 9/30/51 | \$725,000 | \$32,625 | \$1,041,452 | \$48,115 | \$88,792 | \$3,625 | \$0 | \$1,939,609 |
| Total | \$11,735,000 | \$9,994,008 | \$17,071,452 | \$14,433,670 | \$1,978,404 | \$1,078,500 | (\$815,583) | \$55,475,451 |

- 1 – The 9/30/XX dates represent the fiscal year end for the Bonds. Annual Installments can be prorated in the same manner as property taxes.
2- Represents the principal and interest on the Series 2022 PID Bonds. Interest is calculated assuming an estimated 4.50% and will be updated at the time of issuance.
3- Represents the principal and interest on the PID Reimbursement Agreement. Interest is calculated assuming an estimated 4.62% and will be updated at the time of levy.
4- Administrative Expenses are estimated and will be updated each year in the Annual Service Plan Updates. Assumes a 2% increase per year.
5- Additional Interest is only charged on the Assessments associated with the Series 2022 PID Bonds.
6- Annual Installment does not include any TIRZ Annual Credit Amount.

Appendix G-2
Proposed Assessment Roll by Lot Type

Lot Type
Assessment
Equivalent Unit

Lot Type 1 (80 Ft)
\$37,040.19
1.00

| Year ¹ | Principal ² | Interest ² | Principal ³ | Interest ³ | Administrative Expenses ⁴ | Additional Interest ⁵ | Capitalized Interest | Total Annual Installment ⁶ |
|-------------------|------------------------|-----------------------|------------------------|-----------------------|--------------------------------------|----------------------------------|----------------------|---------------------------------------|
| 9/30/22 | \$0 | \$370 | \$0 | \$0 | \$0 | \$0 | (\$370) | \$0 |
| 9/30/23 | \$0 | \$679 | \$6 | \$1,014 | \$66 | \$75 | (\$679) | \$1,162 |
| 9/30/24 | \$276 | \$679 | \$405 | \$1,014 | \$67 | \$75 | \$0 | \$2,517 |
| 9/30/25 | \$289 | \$667 | \$424 | \$995 | \$68 | \$74 | \$0 | \$2,518 |
| 9/30/26 | \$302 | \$654 | \$444 | \$976 | \$70 | \$73 | \$0 | \$2,517 |
| 9/30/27 | \$315 | \$640 | \$463 | \$955 | \$71 | \$71 | \$0 | \$2,515 |
| 9/30/28 | \$328 | \$626 | \$482 | \$934 | \$72 | \$70 | \$0 | \$2,511 |
| 9/30/29 | \$341 | \$611 | \$508 | \$911 | \$74 | \$68 | \$0 | \$2,513 |
| 9/30/30 | \$360 | \$596 | \$527 | \$888 | \$75 | \$66 | \$0 | \$2,512 |
| 9/30/31 | \$373 | \$579 | \$553 | \$864 | \$77 | \$64 | \$0 | \$2,510 |
| 9/30/32 | \$392 | \$563 | \$579 | \$838 | \$78 | \$63 | \$0 | \$2,512 |
| 9/30/33 | \$411 | \$545 | \$604 | \$811 | \$80 | \$61 | \$0 | \$2,513 |
| 9/30/34 | \$431 | \$527 | \$630 | \$783 | \$82 | \$59 | \$0 | \$2,511 |
| 9/30/35 | \$450 | \$507 | \$662 | \$754 | \$83 | \$56 | \$0 | \$2,513 |
| 9/30/36 | \$469 | \$487 | \$688 | \$724 | \$85 | \$54 | \$0 | \$2,507 |
| 9/30/37 | \$489 | \$466 | \$720 | \$692 | \$87 | \$52 | \$0 | \$2,505 |
| 9/30/38 | \$514 | \$444 | \$752 | \$659 | \$88 | \$49 | \$0 | \$2,507 |
| 9/30/39 | \$540 | \$421 | \$784 | \$624 | \$90 | \$47 | \$0 | \$2,506 |
| 9/30/40 | \$566 | \$396 | \$823 | \$588 | \$92 | \$44 | \$0 | \$2,509 |
| 9/30/41 | \$591 | \$371 | \$868 | \$550 | \$94 | \$41 | \$0 | \$2,515 |
| 9/30/42 | \$617 | \$344 | \$900 | \$509 | \$96 | \$38 | \$0 | \$2,505 |
| 9/30/43 | \$643 | \$317 | \$939 | \$468 | \$97 | \$35 | \$0 | \$2,499 |
| 9/30/44 | \$675 | \$288 | \$977 | \$425 | \$99 | \$32 | \$0 | \$2,496 |
| 9/30/45 | \$707 | \$257 | \$1,022 | \$379 | \$101 | \$29 | \$0 | \$2,496 |
| 9/30/46 | \$739 | \$225 | \$1,067 | \$332 | \$103 | \$25 | \$0 | \$2,493 |
| 9/30/47 | \$778 | \$192 | \$1,119 | \$283 | \$105 | \$21 | \$0 | \$2,498 |
| 9/30/48 | \$810 | \$157 | \$1,170 | \$231 | \$108 | \$17 | \$0 | \$2,493 |
| 9/30/49 | \$855 | \$121 | \$1,222 | \$177 | \$110 | \$13 | \$0 | \$2,498 |
| 9/30/50 | \$894 | \$82 | \$1,273 | \$121 | \$112 | \$9 | \$0 | \$2,491 |
| 9/30/51 | \$932 | \$42 | \$1,339 | \$62 | \$114 | \$5 | \$0 | \$2,494 |
| Total | \$15,089 | \$12,851 | \$21,951 | \$18,559 | \$2,544 | \$1,387 | (\$1,049) | \$71,332 |

- 1 – The 9/30/XX dates represent the fiscal year end for the Bonds. Annual Installments can be prorated in the same manner as property taxes.
2- Represents the principal and interest on the Series 2022 PID Bonds. Interest is calculated assuming an estimated 4.50% and will be updated at the time of issuance.
3- Represents the principal and interest on the PID Reimbursement Agreement. Interest is calculated assuming an estimated 4.62% and will be updated at the time of levy.
4- Administrative Expenses are estimated and will be updated each year in the Annual Service Plan Updates. Assumes a 2% increase per year.
5- Additional Interest is only charged on the Assessments associated with the Series 2022 PID Bonds.
6- Annual Installment does not include any TIRZ Annual Credit Amount.

Appendix G-3
Proposed Assessment Roll by Lot Type

Lot Type
Assessment
Equivalent Unit

Lot Type 2 (Restaurant)
\$35,188.18
0.95

| Year ¹ | Principal ² | Interest ² | Principal ³ | Interest ³ | Administrative Expenses ⁴ | Additional Interest ⁵ | Capitalized Interest | Total Annual Installment ⁶ |
|-------------------|------------------------|-----------------------|------------------------|-----------------------|--------------------------------------|----------------------------------|----------------------|---------------------------------------|
| 9/30/22 | \$0 | \$351 | \$0 | \$0 | \$0 | \$0 | (\$351) | \$0 |
| 9/30/23 | \$0 | \$645 | \$6 | \$963 | \$62 | \$72 | (\$645) | \$1,104 |
| 9/30/24 | \$263 | \$645 | \$385 | \$963 | \$64 | \$72 | \$0 | \$2,391 |
| 9/30/25 | \$275 | \$633 | \$403 | \$945 | \$65 | \$70 | \$0 | \$2,392 |
| 9/30/26 | \$287 | \$621 | \$421 | \$927 | \$66 | \$69 | \$0 | \$2,391 |
| 9/30/27 | \$299 | \$608 | \$440 | \$907 | \$67 | \$68 | \$0 | \$2,389 |
| 9/30/28 | \$311 | \$594 | \$458 | \$887 | \$69 | \$66 | \$0 | \$2,386 |
| 9/30/29 | \$324 | \$580 | \$483 | \$866 | \$70 | \$64 | \$0 | \$2,387 |
| 9/30/30 | \$342 | \$566 | \$501 | \$844 | \$72 | \$63 | \$0 | \$2,387 |
| 9/30/31 | \$354 | \$551 | \$525 | \$820 | \$73 | \$61 | \$0 | \$2,385 |
| 9/30/32 | \$373 | \$535 | \$550 | \$796 | \$74 | \$59 | \$0 | \$2,387 |
| 9/30/33 | \$391 | \$518 | \$574 | \$771 | \$76 | \$58 | \$0 | \$2,387 |
| 9/30/34 | \$409 | \$500 | \$599 | \$744 | \$77 | \$56 | \$0 | \$2,385 |
| 9/30/35 | \$428 | \$482 | \$629 | \$717 | \$79 | \$54 | \$0 | \$2,388 |
| 9/30/36 | \$446 | \$463 | \$654 | \$687 | \$81 | \$51 | \$0 | \$2,381 |
| 9/30/37 | \$464 | \$443 | \$684 | \$657 | \$82 | \$49 | \$0 | \$2,379 |
| 9/30/38 | \$489 | \$422 | \$715 | \$626 | \$84 | \$47 | \$0 | \$2,381 |
| 9/30/39 | \$513 | \$400 | \$745 | \$593 | \$86 | \$44 | \$0 | \$2,380 |
| 9/30/40 | \$537 | \$377 | \$782 | \$558 | \$87 | \$42 | \$0 | \$2,383 |
| 9/30/41 | \$562 | \$352 | \$825 | \$522 | \$89 | \$39 | \$0 | \$2,389 |
| 9/30/42 | \$586 | \$327 | \$855 | \$484 | \$91 | \$36 | \$0 | \$2,380 |
| 9/30/43 | \$611 | \$301 | \$892 | \$445 | \$93 | \$33 | \$0 | \$2,374 |
| 9/30/44 | \$641 | \$273 | \$928 | \$403 | \$94 | \$30 | \$0 | \$2,371 |
| 9/30/45 | \$672 | \$244 | \$971 | \$360 | \$96 | \$27 | \$0 | \$2,371 |
| 9/30/46 | \$702 | \$214 | \$1,014 | \$316 | \$98 | \$24 | \$0 | \$2,368 |
| 9/30/47 | \$739 | \$182 | \$1,063 | \$269 | \$100 | \$20 | \$0 | \$2,373 |
| 9/30/48 | \$770 | \$149 | \$1,112 | \$220 | \$102 | \$17 | \$0 | \$2,369 |
| 9/30/49 | \$812 | \$115 | \$1,160 | \$168 | \$104 | \$13 | \$0 | \$2,373 |
| 9/30/50 | \$849 | \$78 | \$1,209 | \$115 | \$106 | \$9 | \$0 | \$2,366 |
| 9/30/51 | \$886 | \$40 | \$1,272 | \$59 | \$108 | \$4 | \$0 | \$2,369 |
| Total | \$14,335 | \$12,208 | \$20,853 | \$17,631 | \$2,417 | \$1,317 | (\$996) | \$67,765 |

- 1 – The 9/30/XX dates represent the fiscal year end for the Bonds. Annual Installments can be prorated in the same manner as property taxes.
2- Represents the principal and interest on the Series 2022 PID Bonds. Interest is calculated assuming an estimated 4.50% and will be updated at the time of issuance.
3- Represents the principal and interest on the PID Reimbursement Agreement. Interest is calculated assuming an estimated 4.62% and will be updated at the time of levy.
4- Administrative Expenses are estimated and will be updated each year in the Annual Service Plan Updates. Assumes a 2% increase per year.
5- Additional Interest is only charged on the Assessments associated with the Series 2022 PID Bonds.
6- Annual Installment does not include any TIRZ Annual Credit Amount.

Appendix G-4
Proposed Assessment Roll by Lot Type

Lot Type
Assessment
Equivalent Unit

Lot Type 3 (50 Ft)
\$33,706.57
0.91

| Year ¹ | Principal ² | Interest ² | Principal ³ | Interest ³ | Administrative Expenses ⁴ | Additional Interest ⁵ | Capitalized Interest | Total Annual Installment ⁶ |
|-------------------|------------------------|-----------------------|------------------------|-----------------------|--------------------------------------|----------------------------------|----------------------|---------------------------------------|
| 9/30/22 | \$0 | \$336 | \$0 | \$0 | \$0 | \$0 | (\$336) | \$0 |
| 9/30/23 | \$0 | \$618 | \$6 | \$923 | \$60 | \$69 | (\$618) | \$1,057 |
| 9/30/24 | \$252 | \$618 | \$369 | \$923 | \$61 | \$69 | \$0 | \$2,290 |
| 9/30/25 | \$263 | \$607 | \$386 | \$906 | \$62 | \$67 | \$0 | \$2,291 |
| 9/30/26 | \$275 | \$595 | \$404 | \$888 | \$63 | \$66 | \$0 | \$2,291 |
| 9/30/27 | \$287 | \$582 | \$421 | \$869 | \$65 | \$65 | \$0 | \$2,289 |
| 9/30/28 | \$298 | \$569 | \$439 | \$850 | \$66 | \$63 | \$0 | \$2,285 |
| 9/30/29 | \$310 | \$556 | \$462 | \$829 | \$67 | \$62 | \$0 | \$2,287 |
| 9/30/30 | \$328 | \$542 | \$480 | \$808 | \$69 | \$60 | \$0 | \$2,286 |
| 9/30/31 | \$339 | \$527 | \$503 | \$786 | \$70 | \$59 | \$0 | \$2,284 |
| 9/30/32 | \$357 | \$512 | \$527 | \$763 | \$71 | \$57 | \$0 | \$2,286 |
| 9/30/33 | \$374 | \$496 | \$550 | \$738 | \$73 | \$55 | \$0 | \$2,286 |
| 9/30/34 | \$392 | \$479 | \$573 | \$713 | \$74 | \$53 | \$0 | \$2,285 |
| 9/30/35 | \$410 | \$462 | \$603 | \$686 | \$76 | \$51 | \$0 | \$2,287 |
| 9/30/36 | \$427 | \$443 | \$626 | \$659 | \$77 | \$49 | \$0 | \$2,281 |
| 9/30/37 | \$445 | \$424 | \$655 | \$630 | \$79 | \$47 | \$0 | \$2,279 |
| 9/30/38 | \$468 | \$404 | \$685 | \$599 | \$80 | \$45 | \$0 | \$2,281 |
| 9/30/39 | \$491 | \$383 | \$714 | \$568 | \$82 | \$43 | \$0 | \$2,280 |
| 9/30/40 | \$515 | \$361 | \$749 | \$535 | \$84 | \$40 | \$0 | \$2,283 |
| 9/30/41 | \$538 | \$338 | \$790 | \$500 | \$85 | \$38 | \$0 | \$2,288 |
| 9/30/42 | \$562 | \$313 | \$819 | \$464 | \$87 | \$35 | \$0 | \$2,279 |
| 9/30/43 | \$585 | \$288 | \$854 | \$426 | \$89 | \$32 | \$0 | \$2,274 |
| 9/30/44 | \$614 | \$262 | \$889 | \$386 | \$90 | \$29 | \$0 | \$2,271 |
| 9/30/45 | \$644 | \$234 | \$930 | \$345 | \$92 | \$26 | \$0 | \$2,271 |
| 9/30/46 | \$673 | \$205 | \$971 | \$302 | \$94 | \$23 | \$0 | \$2,268 |
| 9/30/47 | \$708 | \$175 | \$1,018 | \$257 | \$96 | \$19 | \$0 | \$2,274 |
| 9/30/48 | \$737 | \$143 | \$1,065 | \$210 | \$98 | \$16 | \$0 | \$2,269 |
| 9/30/49 | \$778 | \$110 | \$1,112 | \$161 | \$100 | \$12 | \$0 | \$2,273 |
| 9/30/50 | \$813 | \$75 | \$1,158 | \$110 | \$102 | \$8 | \$0 | \$2,266 |
| 9/30/51 | \$848 | \$38 | \$1,219 | \$56 | \$104 | \$4 | \$0 | \$2,270 |
| Total | \$13,731 | \$11,694 | \$19,975 | \$16,889 | \$2,315 | \$1,262 | (\$954) | \$64,912 |

- 1 – The 9/30/XX dates represent the fiscal year end for the Bonds. Annual Installments can be prorated in the same manner as property taxes.
2- Represents the principal and interest on the Series 2022 PID Bonds. Interest is calculated assuming an estimated 4.50% and will be updated at the time of issuance.
3- Represents the principal and interest on the PID Reimbursement Agreement. Interest is calculated assuming an estimated 4.62% and will be updated at the time of levy.
4- Administrative Expenses are estimated and will be updated each year in the Annual Service Plan Updates. Assumes a 2% increase per year.
5- Additional Interest is only charged on the Assessments associated with the Series 2022 PID Bonds.
6- Annual Installment does not include any TIRZ Annual Credit Amount.

Appendix G-5
Proposed Assessment Roll by Lot Type

Lot Type
Assessment
Equivalent Unit

Lot Type 4 (Office)
\$27,409.74
0.74

| Year ¹ | Principal ² | Interest ² | Principal ³ | Interest ³ | Administrative Expenses ⁴ | Additional Interest ⁵ | Capitalized Interest | Total Annual Installment ⁶ |
|-------------------|------------------------|-----------------------|------------------------|-----------------------|--------------------------------------|----------------------------------|----------------------|---------------------------------------|
| 9/30/22 | \$0 | \$274 | \$0 | \$0 | \$0 | \$0 | (\$274) | \$0 |
| 9/30/23 | \$0 | \$502 | \$5 | \$750 | \$49 | \$56 | (\$502) | \$860 |
| 9/30/24 | \$205 | \$502 | \$300 | \$750 | \$49 | \$56 | \$0 | \$1,862 |
| 9/30/25 | \$214 | \$493 | \$314 | \$736 | \$50 | \$55 | \$0 | \$1,863 |
| 9/30/26 | \$224 | \$484 | \$328 | \$722 | \$51 | \$54 | \$0 | \$1,863 |
| 9/30/27 | \$233 | \$474 | \$343 | \$707 | \$53 | \$53 | \$0 | \$1,861 |
| 9/30/28 | \$243 | \$463 | \$357 | \$691 | \$54 | \$51 | \$0 | \$1,858 |
| 9/30/29 | \$252 | \$452 | \$376 | \$674 | \$55 | \$50 | \$0 | \$1,859 |
| 9/30/30 | \$266 | \$441 | \$390 | \$657 | \$56 | \$49 | \$0 | \$1,859 |
| 9/30/31 | \$276 | \$429 | \$409 | \$639 | \$57 | \$48 | \$0 | \$1,857 |
| 9/30/32 | \$290 | \$416 | \$428 | \$620 | \$58 | \$46 | \$0 | \$1,859 |
| 9/30/33 | \$304 | \$403 | \$447 | \$600 | \$59 | \$45 | \$0 | \$1,859 |
| 9/30/34 | \$319 | \$390 | \$466 | \$580 | \$60 | \$43 | \$0 | \$1,858 |
| 9/30/35 | \$333 | \$375 | \$490 | \$558 | \$62 | \$42 | \$0 | \$1,860 |
| 9/30/36 | \$347 | \$360 | \$509 | \$535 | \$63 | \$40 | \$0 | \$1,855 |
| 9/30/37 | \$362 | \$345 | \$533 | \$512 | \$64 | \$38 | \$0 | \$1,853 |
| 9/30/38 | \$381 | \$328 | \$557 | \$487 | \$65 | \$36 | \$0 | \$1,855 |
| 9/30/39 | \$400 | \$311 | \$580 | \$462 | \$67 | \$35 | \$0 | \$1,854 |
| 9/30/40 | \$419 | \$293 | \$609 | \$435 | \$68 | \$33 | \$0 | \$1,856 |
| 9/30/41 | \$438 | \$274 | \$642 | \$407 | \$69 | \$30 | \$0 | \$1,861 |
| 9/30/42 | \$457 | \$255 | \$666 | \$377 | \$71 | \$28 | \$0 | \$1,854 |
| 9/30/43 | \$476 | \$234 | \$695 | \$346 | \$72 | \$26 | \$0 | \$1,849 |
| 9/30/44 | \$500 | \$213 | \$723 | \$314 | \$74 | \$24 | \$0 | \$1,847 |
| 9/30/45 | \$523 | \$190 | \$756 | \$281 | \$75 | \$21 | \$0 | \$1,847 |
| 9/30/46 | \$547 | \$167 | \$790 | \$246 | \$77 | \$19 | \$0 | \$1,845 |
| 9/30/47 | \$576 | \$142 | \$828 | \$209 | \$78 | \$16 | \$0 | \$1,849 |
| 9/30/48 | \$599 | \$116 | \$866 | \$171 | \$80 | \$13 | \$0 | \$1,845 |
| 9/30/49 | \$633 | \$89 | \$904 | \$131 | \$81 | \$10 | \$0 | \$1,848 |
| 9/30/50 | \$661 | \$61 | \$942 | \$89 | \$83 | \$7 | \$0 | \$1,843 |
| 9/30/51 | \$690 | \$31 | \$991 | \$46 | \$84 | \$3 | \$0 | \$1,846 |
| Total | \$11,166 | \$9,509 | \$16,244 | \$13,734 | \$1,882 | \$1,026 | (\$776) | \$52,786 |

- 1 – The 9/30/XX dates represent the fiscal year end for the Bonds. Annual Installments can be prorated in the same manner as property taxes.
2- Represents the principal and interest on the Series 2022 PID Bonds. Interest is calculated assuming an estimated 4.50% and will be updated at the time of issuance.
3- Represents the principal and interest on the PID Reimbursement Agreement. Interest is calculated assuming an estimated 4.62% and will be updated at the time of levy.
4- Administrative Expenses are estimated and will be updated each year in the Annual Service Plan Updates. Assumes a 2% increase per year.
5- Additional Interest is only charged on the Assessments associated with the Series 2022 PID Bonds.
6- Annual Installment does not include any TIRZ Annual Credit Amount.

Appendix G-6
Proposed Assessment Roll by Lot Type

Lot Type
Assessment
Equivalent Unit

Lot Type 5 (Travel Center)
\$27,039.34
0.73

| Year¹ | Principal² | Interest² | Principal³ | Interest³ | Administrative Expenses⁴ | Additional Interest⁵ | Capitalized Interest | Total Annual Installment⁶ |
|-------------------------|------------------------------|-----------------------------|------------------------------|-----------------------------|--|--|-----------------------------|---|
| 9/30/22 | \$0 | \$270 | \$0 | \$0 | \$0 | \$0 | (\$270) | \$0 |
| 9/30/23 | \$0 | \$496 | \$5 | \$740 | \$48 | \$55 | (\$496) | \$848 |
| 9/30/24 | \$202 | \$496 | \$296 | \$740 | \$49 | \$55 | \$0 | \$1,837 |
| 9/30/25 | \$211 | \$487 | \$310 | \$726 | \$50 | \$54 | \$0 | \$1,838 |
| 9/30/26 | \$221 | \$477 | \$324 | \$712 | \$51 | \$53 | \$0 | \$1,837 |
| 9/30/27 | \$230 | \$467 | \$338 | \$697 | \$52 | \$52 | \$0 | \$1,836 |
| 9/30/28 | \$239 | \$457 | \$352 | \$682 | \$53 | \$51 | \$0 | \$1,833 |
| 9/30/29 | \$249 | \$446 | \$371 | \$665 | \$54 | \$50 | \$0 | \$1,834 |
| 9/30/30 | \$263 | \$435 | \$385 | \$648 | \$55 | \$48 | \$0 | \$1,834 |
| 9/30/31 | \$272 | \$423 | \$404 | \$630 | \$56 | \$47 | \$0 | \$1,832 |
| 9/30/32 | \$286 | \$411 | \$422 | \$612 | \$57 | \$46 | \$0 | \$1,834 |
| 9/30/33 | \$300 | \$398 | \$441 | \$592 | \$58 | \$44 | \$0 | \$1,834 |
| 9/30/34 | \$314 | \$384 | \$460 | \$572 | \$60 | \$43 | \$0 | \$1,833 |
| 9/30/35 | \$329 | \$370 | \$483 | \$551 | \$61 | \$41 | \$0 | \$1,835 |
| 9/30/36 | \$343 | \$355 | \$502 | \$528 | \$62 | \$39 | \$0 | \$1,830 |
| 9/30/37 | \$357 | \$340 | \$526 | \$505 | \$63 | \$38 | \$0 | \$1,828 |
| 9/30/38 | \$375 | \$324 | \$549 | \$481 | \$64 | \$36 | \$0 | \$1,830 |
| 9/30/39 | \$394 | \$307 | \$573 | \$455 | \$66 | \$34 | \$0 | \$1,829 |
| 9/30/40 | \$413 | \$289 | \$601 | \$429 | \$67 | \$32 | \$0 | \$1,831 |
| 9/30/41 | \$432 | \$271 | \$634 | \$401 | \$68 | \$30 | \$0 | \$1,836 |
| 9/30/42 | \$451 | \$251 | \$657 | \$372 | \$70 | \$28 | \$0 | \$1,829 |
| 9/30/43 | \$469 | \$231 | \$685 | \$342 | \$71 | \$26 | \$0 | \$1,824 |
| 9/30/44 | \$493 | \$210 | \$713 | \$310 | \$73 | \$23 | \$0 | \$1,822 |
| 9/30/45 | \$516 | \$188 | \$746 | \$277 | \$74 | \$21 | \$0 | \$1,822 |
| 9/30/46 | \$540 | \$165 | \$779 | \$242 | \$75 | \$18 | \$0 | \$1,820 |
| 9/30/47 | \$568 | \$140 | \$817 | \$206 | \$77 | \$16 | \$0 | \$1,824 |
| 9/30/48 | \$591 | \$115 | \$854 | \$169 | \$79 | \$13 | \$0 | \$1,820 |
| 9/30/49 | \$624 | \$88 | \$892 | \$129 | \$80 | \$10 | \$0 | \$1,823 |
| 9/30/50 | \$652 | \$60 | \$929 | \$88 | \$82 | \$7 | \$0 | \$1,818 |
| 9/30/51 | \$681 | \$31 | \$978 | \$45 | \$83 | \$3 | \$0 | \$1,821 |
| Total | \$11,015 | \$9,381 | \$16,024 | \$13,548 | \$1,857 | \$1,012 | (\$766) | \$52,072 |

- 1 – The 9/30/XX dates represent the fiscal year end for the Bonds. Annual Installments can be prorated in the same manner as property taxes.
- 2- Represents the principal and interest on the Series 2022 PID Bonds. Interest is calculated assuming an estimated 4.50% and will be updated at the time of issuance.
- 3- Represents the principal and interest on the PID Reimbursement Agreement. Interest is calculated assuming an estimated 4.62% and will be updated at the time of levy.
- 4- Administrative Expenses are estimated and will be updated each year in the Annual Service Plan Updates. Assumes a 2% increase per year.
- 5- Additional Interest is only charged on the Assessments associated with the Series 2022 PID Bonds.
- 6- Annual Installment does not include any TIRZ Annual Credit Amount.

Appendix G-7
Proposed Assessment Roll by Lot Type

Lot Type
Assessment
Equivalent Unit

Lot Type 6 (Retail)
\$19,260.90
0.52

| Year ¹ | Principal ² | Interest ² | Principal ³ | Interest ³ | Administrative Expenses ⁴ | Additional Interest ⁵ | Capitalized Interest | Total Annual Installment ⁶ |
|-------------------|------------------------|-----------------------|------------------------|-----------------------|--------------------------------------|----------------------------------|----------------------|---------------------------------------|
| 9/30/22 | \$0 | \$192 | \$0 | \$0 | \$0 | \$0 | (\$192) | \$0 |
| 9/30/23 | \$0 | \$353 | \$3 | \$527 | \$34 | \$39 | (\$353) | \$604 |
| 9/30/24 | \$144 | \$353 | \$211 | \$527 | \$35 | \$39 | \$0 | \$1,309 |
| 9/30/25 | \$150 | \$347 | \$221 | \$517 | \$35 | \$39 | \$0 | \$1,309 |
| 9/30/26 | \$157 | \$340 | \$231 | \$507 | \$36 | \$38 | \$0 | \$1,309 |
| 9/30/27 | \$164 | \$333 | \$241 | \$497 | \$37 | \$37 | \$0 | \$1,308 |
| 9/30/28 | \$171 | \$325 | \$251 | \$485 | \$38 | \$36 | \$0 | \$1,306 |
| 9/30/29 | \$177 | \$318 | \$264 | \$474 | \$38 | \$35 | \$0 | \$1,307 |
| 9/30/30 | \$187 | \$310 | \$274 | \$462 | \$39 | \$34 | \$0 | \$1,306 |
| 9/30/31 | \$194 | \$301 | \$288 | \$449 | \$40 | \$33 | \$0 | \$1,305 |
| 9/30/32 | \$204 | \$293 | \$301 | \$436 | \$41 | \$33 | \$0 | \$1,306 |
| 9/30/33 | \$214 | \$283 | \$314 | \$422 | \$42 | \$31 | \$0 | \$1,307 |
| 9/30/34 | \$224 | \$274 | \$328 | \$407 | \$42 | \$30 | \$0 | \$1,306 |
| 9/30/35 | \$234 | \$264 | \$344 | \$392 | \$43 | \$29 | \$0 | \$1,307 |
| 9/30/36 | \$244 | \$253 | \$358 | \$376 | \$44 | \$28 | \$0 | \$1,304 |
| 9/30/37 | \$254 | \$242 | \$374 | \$360 | \$45 | \$27 | \$0 | \$1,302 |
| 9/30/38 | \$267 | \$231 | \$391 | \$342 | \$46 | \$26 | \$0 | \$1,303 |
| 9/30/39 | \$281 | \$219 | \$408 | \$324 | \$47 | \$24 | \$0 | \$1,303 |
| 9/30/40 | \$294 | \$206 | \$428 | \$306 | \$48 | \$23 | \$0 | \$1,304 |
| 9/30/41 | \$308 | \$193 | \$451 | \$286 | \$49 | \$21 | \$0 | \$1,308 |
| 9/30/42 | \$321 | \$179 | \$468 | \$265 | \$50 | \$20 | \$0 | \$1,303 |
| 9/30/43 | \$334 | \$165 | \$488 | \$243 | \$51 | \$18 | \$0 | \$1,299 |
| 9/30/44 | \$351 | \$150 | \$508 | \$221 | \$52 | \$17 | \$0 | \$1,298 |
| 9/30/45 | \$368 | \$134 | \$532 | \$197 | \$53 | \$15 | \$0 | \$1,298 |
| 9/30/46 | \$384 | \$117 | \$555 | \$173 | \$54 | \$13 | \$0 | \$1,296 |
| 9/30/47 | \$405 | \$100 | \$582 | \$147 | \$55 | \$11 | \$0 | \$1,299 |
| 9/30/48 | \$421 | \$82 | \$608 | \$120 | \$56 | \$9 | \$0 | \$1,297 |
| 9/30/49 | \$445 | \$63 | \$635 | \$92 | \$57 | \$7 | \$0 | \$1,299 |
| 9/30/50 | \$465 | \$43 | \$662 | \$63 | \$58 | \$5 | \$0 | \$1,295 |
| 9/30/51 | \$485 | \$22 | \$696 | \$32 | \$59 | \$2 | \$0 | \$1,297 |
| Total | \$7,846 | \$6,682 | \$11,415 | \$9,651 | \$1,323 | \$721 | (\$545) | \$37,093 |

- 1 – The 9/30/XX dates represent the fiscal year end for the Bonds. Annual Installments can be prorated in the same manner as property taxes.
- 2- Represents the principal and interest on the Series 2022 PID Bonds. Interest is calculated assuming an estimated 4.50% and will be updated at the time of issuance.
- 3- Represents the principal and interest on the PID Reimbursement Agreement. Interest is calculated assuming an estimated 4.62% and will be updated at the time of levy.
- 4- Administrative Expenses are estimated and will be updated each year in the Annual Service Plan Updates. Assumes a 2% increase per year.
- 5- Additional Interest is only charged on the Assessments associated with the Series 2022 PID Bonds.
- 6- Annual Installment does not include any TIRZ Annual Credit Amount.

Appendix G-8
Proposed Assessment Roll by Lot Type

Lot Type
Assessment
Equivalent Unit

Lot Type 7 (Multi-Family)
\$9,630.45
0.26

| Year ¹ | Principal ² | Interest ² | Principal ³ | Interest ³ | Administrative Expenses ⁴ | Additional Interest ⁵ | Capitalized Interest | Total Annual Installment ⁶ |
|-------------------|------------------------|-----------------------|------------------------|-----------------------|--------------------------------------|----------------------------------|----------------------|---------------------------------------|
| 9/30/22 | \$0 | \$96 | \$0 | \$0 | \$0 | \$0 | (\$96) | \$0 |
| 9/30/23 | \$0 | \$177 | \$2 | \$264 | \$17 | \$20 | (\$177) | \$302 |
| 9/30/24 | \$72 | \$177 | \$105 | \$264 | \$17 | \$20 | \$0 | \$654 |
| 9/30/25 | \$75 | \$173 | \$110 | \$259 | \$18 | \$19 | \$0 | \$655 |
| 9/30/26 | \$79 | \$170 | \$115 | \$254 | \$18 | \$19 | \$0 | \$654 |
| 9/30/27 | \$82 | \$166 | \$120 | \$248 | \$18 | \$18 | \$0 | \$654 |
| 9/30/28 | \$85 | \$163 | \$125 | \$243 | \$19 | \$18 | \$0 | \$653 |
| 9/30/29 | \$89 | \$159 | \$132 | \$237 | \$19 | \$18 | \$0 | \$653 |
| 9/30/30 | \$94 | \$155 | \$137 | \$231 | \$20 | \$17 | \$0 | \$653 |
| 9/30/31 | \$97 | \$151 | \$144 | \$225 | \$20 | \$17 | \$0 | \$653 |
| 9/30/32 | \$102 | \$146 | \$150 | \$218 | \$20 | \$16 | \$0 | \$653 |
| 9/30/33 | \$107 | \$142 | \$157 | \$211 | \$21 | \$16 | \$0 | \$653 |
| 9/30/34 | \$112 | \$137 | \$164 | \$204 | \$21 | \$15 | \$0 | \$653 |
| 9/30/35 | \$117 | \$132 | \$172 | \$196 | \$22 | \$15 | \$0 | \$653 |
| 9/30/36 | \$122 | \$127 | \$179 | \$188 | \$22 | \$14 | \$0 | \$652 |
| 9/30/37 | \$127 | \$121 | \$187 | \$180 | \$22 | \$13 | \$0 | \$651 |
| 9/30/38 | \$134 | \$115 | \$196 | \$171 | \$23 | \$13 | \$0 | \$652 |
| 9/30/39 | \$140 | \$109 | \$204 | \$162 | \$23 | \$12 | \$0 | \$651 |
| 9/30/40 | \$147 | \$103 | \$214 | \$153 | \$24 | \$11 | \$0 | \$652 |
| 9/30/41 | \$154 | \$96 | \$226 | \$143 | \$24 | \$11 | \$0 | \$654 |
| 9/30/42 | \$160 | \$90 | \$234 | \$132 | \$25 | \$10 | \$0 | \$651 |
| 9/30/43 | \$167 | \$82 | \$244 | \$122 | \$25 | \$9 | \$0 | \$650 |
| 9/30/44 | \$176 | \$75 | \$254 | \$110 | \$26 | \$8 | \$0 | \$649 |
| 9/30/45 | \$184 | \$67 | \$266 | \$99 | \$26 | \$7 | \$0 | \$649 |
| 9/30/46 | \$192 | \$59 | \$277 | \$86 | \$27 | \$7 | \$0 | \$648 |
| 9/30/47 | \$202 | \$50 | \$291 | \$74 | \$27 | \$6 | \$0 | \$650 |
| 9/30/48 | \$211 | \$41 | \$304 | \$60 | \$28 | \$5 | \$0 | \$648 |
| 9/30/49 | \$222 | \$31 | \$318 | \$46 | \$29 | \$3 | \$0 | \$649 |
| 9/30/50 | \$232 | \$21 | \$331 | \$31 | \$29 | \$2 | \$0 | \$648 |
| 9/30/51 | \$242 | \$11 | \$348 | \$16 | \$30 | \$1 | \$0 | \$648 |
| Total | \$3,923 | \$3,341 | \$5,707 | \$4,825 | \$661 | \$361 | (\$273) | \$18,546 |

- 1 – The 9/30/XX dates represent the fiscal year end for the Bonds. Annual Installments can be prorated in the same manner as property taxes.
2- Represents the principal and interest on the Series 2022 PID Bonds. Interest is calculated assuming an estimated 4.50% and will be updated at the time of issuance.
3- Represents the principal and interest on the PID Reimbursement Agreement. Interest is calculated assuming an estimated 4.62% and will be updated at the time of levy.
4- Administrative Expenses are estimated and will be updated each year in the Annual Service Plan Updates. Assumes a 2% increase per year.
5- Additional Interest is only charged on the Assessments associated with the Series 2022 PID Bonds.
6- Annual Installment does not include any TIRZ Annual Credit Amount.

Appendix G-9
Proposed Assessment Roll by Lot Type

Lot Type
Assessment
Equivalent Unit

Lot Type 8 (Hotel)
\$6,667.23
0.18

| Year ¹ | Principal ² | Interest ² | Principal ³ | Interest ³ | Administrative Expenses ⁴ | Additional Interest ⁵ | Capitalized Interest | Total Annual Installment ⁶ |
|-------------------|------------------------|-----------------------|------------------------|-----------------------|--------------------------------------|----------------------------------|----------------------|---------------------------------------|
| 9/30/22 | \$0 | \$67 | \$0 | \$0 | \$0 | \$0 | (\$67) | \$0 |
| 9/30/23 | \$0 | \$122 | \$1 | \$183 | \$12 | \$14 | (\$122) | \$209 |
| 9/30/24 | \$50 | \$122 | \$73 | \$182 | \$12 | \$14 | \$0 | \$453 |
| 9/30/25 | \$52 | \$120 | \$76 | \$179 | \$12 | \$13 | \$0 | \$453 |
| 9/30/26 | \$54 | \$118 | \$80 | \$176 | \$13 | \$13 | \$0 | \$453 |
| 9/30/27 | \$57 | \$115 | \$83 | \$172 | \$13 | \$13 | \$0 | \$453 |
| 9/30/28 | \$59 | \$113 | \$87 | \$168 | \$13 | \$13 | \$0 | \$452 |
| 9/30/29 | \$61 | \$110 | \$91 | \$164 | \$13 | \$12 | \$0 | \$452 |
| 9/30/30 | \$65 | \$107 | \$95 | \$160 | \$14 | \$12 | \$0 | \$452 |
| 9/30/31 | \$67 | \$104 | \$100 | \$155 | \$14 | \$12 | \$0 | \$452 |
| 9/30/32 | \$71 | \$101 | \$104 | \$151 | \$14 | \$11 | \$0 | \$452 |
| 9/30/33 | \$74 | \$98 | \$109 | \$146 | \$14 | \$11 | \$0 | \$452 |
| 9/30/34 | \$78 | \$95 | \$113 | \$141 | \$15 | \$11 | \$0 | \$452 |
| 9/30/35 | \$81 | \$91 | \$119 | \$136 | \$15 | \$10 | \$0 | \$452 |
| 9/30/36 | \$84 | \$88 | \$124 | \$130 | \$15 | \$10 | \$0 | \$451 |
| 9/30/37 | \$88 | \$84 | \$130 | \$125 | \$16 | \$9 | \$0 | \$451 |
| 9/30/38 | \$93 | \$80 | \$135 | \$119 | \$16 | \$9 | \$0 | \$451 |
| 9/30/39 | \$97 | \$76 | \$141 | \$112 | \$16 | \$8 | \$0 | \$451 |
| 9/30/40 | \$102 | \$71 | \$148 | \$106 | \$17 | \$8 | \$0 | \$452 |
| 9/30/41 | \$106 | \$67 | \$156 | \$99 | \$17 | \$7 | \$0 | \$453 |
| 9/30/42 | \$111 | \$62 | \$162 | \$92 | \$17 | \$7 | \$0 | \$451 |
| 9/30/43 | \$116 | \$57 | \$169 | \$84 | \$18 | \$6 | \$0 | \$450 |
| 9/30/44 | \$122 | \$52 | \$176 | \$76 | \$18 | \$6 | \$0 | \$449 |
| 9/30/45 | \$127 | \$46 | \$184 | \$68 | \$18 | \$5 | \$0 | \$449 |
| 9/30/46 | \$133 | \$41 | \$192 | \$60 | \$19 | \$5 | \$0 | \$449 |
| 9/30/47 | \$140 | \$35 | \$201 | \$51 | \$19 | \$4 | \$0 | \$450 |
| 9/30/48 | \$146 | \$28 | \$211 | \$42 | \$19 | \$3 | \$0 | \$449 |
| 9/30/49 | \$154 | \$22 | \$220 | \$32 | \$20 | \$2 | \$0 | \$450 |
| 9/30/50 | \$161 | \$15 | \$229 | \$22 | \$20 | \$2 | \$0 | \$448 |
| 9/30/51 | \$168 | \$8 | \$241 | \$11 | \$21 | \$1 | \$0 | \$449 |
| Total | \$2,716 | \$2,313 | \$3,951 | \$3,341 | \$458 | \$250 | (\$189) | \$12,840 |

- 1 – The 9/30/XX dates represent the fiscal year end for the Bonds. Annual Installments can be prorated in the same manner as property taxes.
2- Represents the principal and interest on the Series 2022 PID Bonds. Interest is calculated assuming an estimated 4.50% and will be updated at the time of issuance.
3- Represents the principal and interest on the PID Reimbursement Agreement. Interest is calculated assuming an estimated 4.62% and will be updated at the time of levy.
4- Administrative Expenses are estimated and will be updated each year in the Annual Service Plan Updates. Assumes a 2% increase per year.
5- Additional Interest is only charged on the Assessments associated with the Series 2022 PID Bonds.
6- Annual Installment does not include any TIRZ Annual Credit Amount.

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

(THIS PAGE IS INTENTIONALLY LEFT BLANK.)

_____, 2022

**CITY OF SINTON, TEXAS
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2022
(SOMERSET PUBLIC IMPROVEMENT DISTRICT NO. 1)**

IN THE AGGREGATE PRINCIPAL AMOUNT OF \$ _____

AS BOND COUNSEL for City of Sinton, Texas (the *Issuer*), we have examined into the legality and validity of the issue of the bonds described above (the *Bonds*), which bear interest from the date specified in the text of the Bonds, until maturity or prior redemption, at the rates and payable on the dates as stated in the text of the Bonds, and maturing and subject to redemption on the dates specified in the text of the Bonds, all in accordance with the Order authorizing the issuance of the Bonds (the *Bond Order*) and the Trust Indenture (as defined below).

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, and have examined and relied upon a transcript of certified proceedings of the Issuer and other pertinent instruments furnished by the Issuer relating to the authorization, issuance and delivery of the Bonds; and we have examined various certificates and documents executed by officers and officials of the Issuer upon which certificates and documents we rely as to certain matters stated below. We have also examined one executed Bond which we found to be in proper form and duly executed.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized, and have been duly issued and delivered, all in accordance with law, and that, except as may be limited by laws relating to governmental immunity, bankruptcy, reorganization, and other similar matters affecting creditors' rights or by general principles of equity which permit the exercise of judicial discretion, (i) the Bonds constitute valid and legally binding obligations of the Issuer which are payable as to principal and interest from the sources provided in the Bond Order and the Indenture of Trust between the Issuer and UMB Bank, N.A., dated as of January 1, 2022 (the *Trust Indenture*), (ii) the covenants and agreements in the Trust Indenture constitute valid and binding obligations of the Issuer, (iii) the Bonds constitute valid and legally binding special obligations of the Issuer secured as Bonds under the Trust Indenture, and (iv) the Bonds are payable in accordance with the priorities established in the Trust Indenture from the sources provided therein.

D-1

600 Congress Ave.
Suite 2150
Austin, Texas 78701
T 512.478.3805
F 512.472.0871

717 North Harwood
Suite 900
Dallas, Texas 75201
T 214.754.9200
F 214.754.9250

Two Allen Center
1200 Smith Street, Suite 1550
Houston, Texas 77002
T 713.980.0500
F 713.980.0510

112 E. Pecan Street
Suite 1310
San Antonio, Texas 78205
T 210.225.2800
F 210.225.2984



THE ISSUER has reserved the right, subject to the restrictions stated in the Trust Indenture, to amend the Trust Indenture in the manner provided therein; and under some (but not all) circumstances amendments thereto must be approved by the registered owners of a majority in principal amount of all outstanding bonds affected by such amendment and secured by the Trust Indenture.

THE REGISTERED OWNERS of the Bonds shall never have the right to demand payment of the principal thereof or interest thereon out of any funds raised or to be raised by taxation, or from any source whatsoever other than specified in the Trust Indenture.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not “specified private activity bonds” and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the *Code*). In expressing the aforementioned opinions, we have relied on certain representations, the accuracy of which we have not independently verified, and assume compliance by the Issuer with certain covenants, regarding the use and investment of the proceeds of the Bonds and the use of the property financed and refinanced therewith. In expressing the aforementioned opinions, we have relied on certain representations and covenants regarding the use and investment of the proceeds of the Bonds. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the Issuer to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the *Service*); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is



likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering our opinions with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds. Our role in connection with the Issuer's Limited Offering Memorandum prepared for use in connection with the sale of the Bonds has been limited as described therein.

Respectfully,

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

APPENDIX E-1

FORM OF DISCLOSURE AGREEMENT OF THE ISSUER

(THIS PAGE IS INTENTIONALLY LEFT BLANK.)

**CITY OF SINTON, TEXAS,
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2022
(SOMERSET PUBLIC IMPROVEMENT DISTRICT NO. 1)**

CONTINUING DISCLOSURE AGREEMENT OF THE ISSUER

This Continuing Disclosure Agreement of the Issuer dated as of January 1, 2022 (this “Disclosure Agreement”) is executed and delivered by and among the City of Sinton, Texas (the “Issuer”), MuniCap, Inc. (as more fully defined herein, the “Administrator”) and UMB Bank, N.A., acting solely in its capacity as dissemination agent (as more fully defined herein, the “Dissemination Agent”), with respect to the Issuer’s “Special Assessment Revenue Bonds, Series 2022 (Somerset Public Improvement District No. 1)” (the “Bonds”). The Issuer, the Administrator, and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer, the Administrator, and the Dissemination Agent for the benefit of the Owners (defined below) and beneficial owners of the Bonds. Unless and until a different filing location is designated by the MSRB (defined below) or the SEC (defined below), all filings made by the Dissemination Agent pursuant to this Disclosure Agreement shall be filed with the MSRB through EMMA (defined below).

SECTION 2. Definitions. In addition to the definitions set forth above and in the Indenture of Trust dated as of January 1, 2022, relating to the Bonds (the “Indenture”), which apply to any capitalized term used in this Disclosure Agreement, including the Exhibits hereto, unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Administrative Expenses” shall have the meaning assigned to such term in the Indenture.

“Administrator” shall mean the Issuer or the person or independent firm designated by the Issuer who shall have the responsibility provided in the Service and Assessment Plan, the Indenture, or any other agreement or document approved by the Issuer related to the duties and responsibilities of the administration of the District. The Issuer has selected MuniCap, Inc. as the current Administrator.

“Annual Financial Information” shall mean annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 4(a) of this Disclosure Agreement.

“Annual Installment” shall have the meaning assigned to such term in the Indenture.

“Annual Issuer Report” shall mean any Annual Issuer Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Annual Service Plan Update” shall mean the annual review and update of the Service and Assessment Plan required by the PID Act and the Service and Assessment Plan.

“Assessments” shall have the meaning assigned to such term in the Indenture.

“Business Day” shall mean any day other than a Saturday, Sunday or legal holiday in the State of Texas observed as such by the Issuer or the Trustee or any national holiday observed by the Trustee.

“Developer” shall mean, Somerset Land Company, LLC, a Texas limited liability company, including its affiliates, successors and assigns.

“Disclosure Agreement of Developer” shall mean the Continuing Disclosure Agreement of the Developer dated as of January 1, 2022 executed and delivered by the Developer, the Administrator and the Dissemination Agent.

“Disclosure Representative” shall mean the City Manager of the Issuer or his or her designee, or such other officer or employee as the Issuer, may designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean UMB Bank, N.A., Austin, Texas, a national banking association duly organized and existing under the laws of the United States, acting solely in its capacity as dissemination agent, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Trustee a written acceptance of such designation.

“District” shall mean Somerset Public Improvement District No. 1.

“EMMA” shall mean the Electronic Municipal Market Access System currently available on the internet at <http://emma.msrb.org>.

“Filing Date” shall mean, for each Fiscal Year, the date that is six (6) months after the end of the Issuer’s Fiscal Year, which Filing Date is currently March 31.

“Financial Obligation” shall mean a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that “financial obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

“Fiscal Year” shall mean the Issuer’s fiscal year, currently the one-year period from October 1 through September 30.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“Majority Interest” shall mean, as of any particular date of calculation, the Owners of no less than fifty-one percent (51%) of the principal amount of the then Outstanding Bonds.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC to receive continuing disclosure reports pursuant to the Rule.

“Outstanding” shall have the meaning assigned to such term in the Indenture.

“Owner(s)” shall mean the registered owner(s) of any Bonds, as shown in the register maintained by the Trustee.

“Participating Underwriter” shall mean FMSbonds, Inc., and its successors and assigns.

“PID Act” means Chapter 372, Texas Local Government Code, as amended.

“Prepayment” shall mean the payment of all or a portion of an Assessment before the due date of the final installment thereof.

“Rule” shall mean Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SAP Update” shall have the meaning assigned to such term in Section 4(a)(3) of this Disclosure Agreement.

“SEC” shall mean the United States Securities and Exchange Commission.

“Service and Assessment Plan” shall have the meaning assigned to such term in the Indenture.

“Trustee” shall mean UMB Bank, N.A., Austin, Texas, a national banking association duly organized and existing under the laws of the United States, acting solely in its capacity as trustee, or any successor trustee pursuant to the Indenture.

SECTION 3. Provision of Annual Issuer Reports.

(a) For each Fiscal Year, commencing with the Fiscal Year ending September 30, 2022, the Issuer shall cause, pursuant to written direction, and hereby directs the Dissemination Agent to provide or cause to be provided to the MSRB, in the electronic or other format required by the MSRB, not later than the Filing Date, an Annual Issuer Report provided to the Dissemination Agent which is consistent with the requirements specified in Section 4 of this Disclosure Agreement. In each case, the Annual Issuer Report may be submitted as a single document or as separate documents comprising a package and may include by reference other information as provided in Section 4 of this Disclosure Agreement. If the Issuer’s Fiscal Year changes, it shall file notice of such change (including the date of the new Fiscal Year) with the MSRB prior to the next Filing Date. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

Not later than ten (10) days prior to the Filing Date, the Issuer shall provide the Annual Issuer Report to the Dissemination Agent together with written direction to file such Annual Issuer Report with the MSRB. The Dissemination Agent shall provide such Annual Issuer Report to the MSRB not later

than ten (10) days from receipt of such Annual Issuer Report from the Issuer, but in no event later than the Filing Date for such Fiscal Year.

If by the fifth (5th) day before the Filing Date, the Dissemination Agent has not received a copy of the Annual Issuer Report, the Dissemination Agent shall contact the Disclosure Representative in writing (which may be by e-mail) to remind the Issuer of its undertaking to provide the applicable Annual Issuer Report pursuant to this subsection (a). Upon such reminder, the Disclosure Representative shall either (i) provide the Dissemination Agent with an electronic copy of the Annual Issuer Report no later than two (2) Business Days prior to the Filing Date; or (ii) instruct the Dissemination Agent in writing that the Issuer will not be able to provide the Annual Issuer Report by the Filing Date, state the date by which the Annual Issuer Report for such year will be provided and instruct the Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit A; provided, however, that in the event the Disclosure Representative is required to act under either (i) or (ii) described above, the Dissemination Agent still must file the Annual Issuer Report or the notice of failure to file, as applicable, to the MSRB, no later than the Filing Date; provided further, however, that in the event the Disclosure Representative fails to act under either (i) or (ii) described above, the Dissemination Agent shall file a notice of failure to file no later than on the last Business Day prior to the Filing Date.

- (b) The Issuer shall or shall cause the Dissemination Agent pursuant to written direction to:
 - (i) determine the filing address or other filing location of the MSRB each year prior to filing the Annual Issuer Report; and
 - (ii) file the Annual Issuer Report containing or incorporating by reference the information set forth in Section 4 hereof.

(c) If the Issuer has provided the Dissemination Agent with the completed Annual Issuer Report and the Dissemination Agent has filed such Annual Issuer Report with the MSRB, then the Dissemination Agent shall file a report with the Issuer certifying that the Annual Issuer Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and that it was filed with the MSRB, which report shall include a filing receipt from the MSRB.

SECTION 4. Content and Timing of Annual Issuer Reports. The Annual Issuer Report for the Bonds shall contain or incorporate by reference, and the Issuer agrees to provide or cause to be provided to the Dissemination Agent to file by the Filing Date, the following:

- (a) The following Annual Financial Information (any or all of which may be unaudited):
 - (i) Tables setting forth the following information, as of the end of such Fiscal Year:
 - (A) for the Bonds, the maturity date or dates, the interest rate or rates, the original aggregate principal amount, the aggregate principal amount Outstanding and the total interest amount due on aggregate principal amount Outstanding;
 - (B) the amounts in the funds and accounts securing the Bonds and a description of the related investments; and

(C) if any amounts in the funds and accounts held under the Indenture are invested through third-party contracts, the identity of such third-party, the interest rate and the amounts invested under such contract.

(ii) The principal and interest paid on the Bonds during the most recent Fiscal Year and the minimum scheduled principal and interest required to be paid on the Bonds in the next Fiscal Year.

(iii) Any updates to the Service and Assessment Plan, including the Annual Service Plan Update (collectively, a “SAP Update”).

(iv) The aggregate taxable assessed valuation for parcels or lots within the District based on the most recent certified tax roll available to the Issuer.

(v) With respect to single-family residential lots, until (i) certificates of occupancy (“COs”) have been issued or (ii) upon completion of construction of single-family dwellings, approval of the final inspection report wherein all applicable inspection categories have been reported as passed (an “Approved Final Inspection Report”), for lots representing, in the aggregate, ninety-five percent (95%) of the total single-family residential lots within the District, the Annual Issuer Report (in the SAP Update or otherwise) shall include the following:

(A) the number of COs issued or, if information regarding the number of COs is not readily attainable, the number of Approved Final Reports issued, for new homes completed in the District during such Fiscal Year; and

(B) the aggregate number of COs issued or, if information regarding the number of COs is not readily attainable, the aggregate number of Approved Final Reports issued, for new homes completed within the District since filing the initial Annual Financial Information for Fiscal Year ended September 30, 2022.

(vi) With respect to commercial, office, retail and multifamily residential parcels, until such time as development thereof is complete, the following information:

(A) issuance of building permit(s);

(B) issuance of CO(s) or, if information regarding COs is not readily attainable, issuance of Approved Final Report(s); and

(C) for parcels where a CO or, if information regarding COs is not readily attainable, an Approved Final Report, was issued, the total covered square footage for such commercial, office, retail and/or multifamily residential units on an annual and cumulative basis, if available.

(vii) Listing of the top five (5) Assessment payers in the District, as determined by the most recent certified tax roll available to the Issuer, the amount of the levy of Assessments against such landowners, and the percentage of such Assessments relative to the entire levy of Assessments within the District, as shown on the Assessment Roll attached to the SAP Update for such Fiscal Year.

(viii) Collection and delinquency history of the Assessments within the District for the past five (5) Fiscal Years, in the following format:

Collection and Delinquent History of Assessments

| Collected in Fiscal Year Ending 9/30 | Assessment Billed | Parcels Levied | Delinquent Amount as of 3/1 | Delinquent Percentage as of 3/1 | Delinquent Amount as of 9/1 | Delinquent Percentage as of 9/1 | Total Assessments Collected ⁽¹⁾ |
|--------------------------------------|-------------------|----------------|-----------------------------|---------------------------------|-----------------------------|---------------------------------|--|
| 20__ | \$ | | | | | | \$ |

⁽¹⁾ Collected as of _____, 20__. Includes \$ _____ attributable to Prepayments.

(ix) For each calendar year, if the total amount of Annual Installments that are delinquent as of September 1 in such calendar year is equal to or greater than ten percent (10%) of the total amount of Annual Installments due in such calendar year, a list of parcel numbers for which the Annual Installments are delinquent.

(x) The amount of delinquent Assessments by Fiscal Year:

(A) which are subject to institution of foreclosure proceedings (but as to which such proceedings have not been instituted);

(B) for which foreclosure proceedings have been instituted but have not been concluded;

(C) which have been reduced to judgment but not collected;

(D) which have been reduced to judgment and collected; and

(E) the result of any foreclosure sales of assessed property within the District if the assessed property sold at a foreclosure sale represents more than five percent (5%) of the total amount of Assessments.

(xi) Total amount of Prepayments collected, as of March 1, or as of the date of the Annual Issuer Report if dated prior to March 1, of the calendar year immediately succeeding such Fiscal Year, in each case with respect to the most recent billing period (generally, October 1 of the preceding calendar year through January 31 of the current calendar year).

(xii) A description of any amendment to this Disclosure Agreement and a copy of any restatements to the Issuer’s audited financial statements during such Fiscal Year; and

(b) The audited financial statements of the Issuer for the most recently ended Fiscal Year, prepared in accordance with generally accepted accounting principles applicable from time to time to the Issuer. If the audited financial statements of the Issuer are not available by the Filing Date, the Issuer shall provide unaudited financial statements of the Issuer no later than the Filing Date and audited financial statements when and if available.

(c) A form for submitting the information set forth in Section 4(a) above is attached as Exhibit B hereto. Any or all of the items listed above may be included by specific reference to other documents, including disclosure documents of debt issues of the Issuer, which have been submitted to

and are publicly accessible from the MSRB. If the document included by reference is a final offering document, it must be available from the MSRB. The Issuer shall clearly identify each such other document so included by reference.

The Administrator, and if no Administrator is designated, Issuer's staff, shall prepare the Annual Financial Information. In all cases, the Issuer shall have the sole responsibility for the content, design and other elements comprising substantive contents of the Annual Financial Information under this Section 4.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, each of the following is a Listed Event with respect to the Bonds:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
7. Modifications to rights of Owners, if material.
8. Bond calls, if material, and tender offers.
9. Defeasances.
10. Release, substitution, or sale of property securing repayment of the bonds, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of the Issuer.
13. The consummation of a merger, consolidation, or acquisition of the Issuer, or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee under the Indenture or the change of name of a trustee, if material.

15. Incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders, if material.

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

The sale by the Developer of real property within the District will not constitute a Listed Event for the purposes of paragraph (10) above.

For these purposes, any event described in paragraph (12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Issuer in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

The Issuer intends the words used in paragraphs (15) and (16) above and the definition of Financial Obligation to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

Upon the occurrence of a Listed Event, the Issuer shall promptly notify the Dissemination Agent in writing and the Issuer shall direct the Dissemination Agent to file a notice of such occurrence with the MSRB. The Dissemination Agent shall file such notice no later than the Business Day immediately following the day on which it receives written notice of such occurrence from the Issuer. Any such notice is required to be filed within ten (10) Business Days of the occurrence of such Listed Event; provided, however, the failure of the Issuer to provide timely written notice to the Dissemination Agent in accordance with this paragraph shall not constitute a failure of the Dissemination Agent to comply with the MSRB's ten (10) Business Day filing requirement.

Any notice under the preceding paragraphs shall be accompanied with the text of the disclosure that the Issuer desires to make, the written authorization of the Issuer for the Dissemination Agent to disseminate such information as provided herein, and the date the Issuer desires for the Dissemination Agent to disseminate the information. In all cases, the Issuer shall have the sole responsibility for the content, design and other elements comprising substantive contents of all disclosures made under this Section 5. In addition, the Issuer shall have the sole responsibility to ensure that any notice required to be filed under this Section 5 is filed within ten (10) Business Days of the occurrence of the Listed Event.

(b) The Dissemination Agent shall, promptly, and not more than five (5) Business Days after obtaining actual knowledge of the occurrence of any Listed Event with respect to the Bonds, notify the Disclosure Representative in writing of such Listed Event. The Dissemination Agent shall not be required to file a notice of the occurrence of such Listed Event with the MSRB unless and until it receives written instructions from the Disclosure Representative to do so. If the Dissemination Agent has been

instructed in writing by the Disclosure Representative on behalf of the Issuer to report the occurrence of a Listed Event under this subsection (b), the Dissemination Agent shall file a notice of such occurrence with the MSRB no later than two (2) Business Days following the day on which it receives such written instructions. It is agreed and understood that the duty to make or cause to be made the disclosures herein is that of the Issuer and not that of the Dissemination Agent. It is agreed and understood that the Dissemination Agent has agreed to give the foregoing notice to the Issuer as an accommodation to assist it in monitoring the occurrence of such event, but is under no obligation to investigate whether any such event has occurred. As used above, “actual knowledge” means the actual fact or statement of knowing, without a duty to make any investigation with respect thereto. In no event shall the Dissemination Agent be liable in damages or in tort to the Issuer, the Participating Underwriter, the Trustee, or any Owner or beneficial owner of any interests in the Bonds as a result of its failure to give the foregoing notice or to give such notice in a timely fashion.

(c) If in response to a notice from the Dissemination Agent under subsection (b), the Issuer determines that the Listed Event under number 2, 7, 8 (as to bond calls only), 10, 13, 14 or 15 of subparagraph (a) above is not material under applicable federal securities laws, the Issuer shall promptly notify the Dissemination Agent and the Trustee (if the Dissemination Agent is not the Trustee) in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (b).

SECTION 6. Termination of Reporting Obligations. The obligations of the Issuer, the Administrator and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Issuer is no longer an obligated person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Dissemination Agent and the Administrator of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required. So long as any of the Bonds remain Outstanding, the Administrator and Dissemination Agent may assume that the Issuer is an obligated person with respect to the Bonds until they receive written notice from the Disclosure Representative stating that the Issuer is no longer an obligated person with respect to the Bonds, and the Administrator and Dissemination Agent may conclusively rely upon such written notice with no duty to make investigation or inquiry into any statements contained or matters referred to in such written notice. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event with respect to the Bonds under Section 5(a).

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent or successor Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge such Dissemination Agent. If the Issuer discharges the Dissemination Agent, the Issuer shall use best efforts to appoint a successor Dissemination Agent within thirty (30) days of such discharge. If at any time there is not any other designated Dissemination Agent, the Issuer shall be the Dissemination Agent. The initial Dissemination Agent appointed hereunder shall be UMB Bank, N.A. The Issuer will give prompt written notice to the Developer, or any other party responsible for providing quarterly information pursuant to the Disclosure Agreement of Developer, of any change in the identity of the Dissemination Agent under the Disclosure Agreement of Developer. The Dissemination Agent may resign at any time with thirty (30) days’ written notice to the Issuer.

SECTION 8. Amendment; Waiver. Notwithstanding any other provisions of this Disclosure Agreement, the Issuer, the Administrator and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall not unreasonably withhold its consent to any

amendment so requested by the Issuer or the Administrator), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the delivery of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or beneficial owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Issuer shall describe such amendment in the next related Annual Financial Information, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a), and (ii) the Annual Financial Information for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. No amendment which adversely affects the Dissemination Agent may be made without its prior written consent (which consent will not be unreasonably withheld or delayed).

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Issuer Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Issuer Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Issuer Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Agreement, the Dissemination Agent or any Owner or beneficial owner of the Bonds may, and the Trustee (at the request of any Participating Underwriter or the Owners of a Majority Interest and upon being indemnified to its satisfaction) shall, take such actions as may be necessary and appropriate to cause the Issuer to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture with

respect to the Bonds, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer to comply with this Disclosure Agreement shall be an action for mandamus or specific performance. A default under this Disclosure Agreement by the Issuer shall not be deemed a default under the Disclosure Agreement of Developer by the Developer and a default under the Disclosure Agreement of Developer by the Developer shall not be deemed a default under this Disclosure Agreement by the Issuer.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent and Administrator.

(a) The Dissemination Agent shall not have any duty with respect to the content of any disclosures made pursuant to the terms hereof. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and no implied covenants shall be read into this Disclosure Agreement with respect to the Dissemination Agent. To the extent permitted by law, the Issuer agrees to indemnify and hold harmless the Dissemination Agent, its officers, directors, employees and agents, but only from Administrative Expenses collected from the property owners in the District, against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment in full of the Bonds. Nothing in this Disclosure Agreement shall be construed to mean or to imply that the Dissemination Agent is an "obligated person" under the Rule. If the Issuer does not provide the Dissemination Agent with the Annual Issuer Report in accordance with Section 3(a), the Dissemination Agent shall not be responsible for the failure to submit an Annual Issuer Report to the MSRB. The Dissemination Agent is not acting in a fiduciary capacity in connection with the performance of its respective obligations hereunder.

The Dissemination Agent may, from time to time, consult with legal counsel of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or their respective duties hereunder, and the Dissemination Agent shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel.

(b) The Administrator shall not have any duty with respect to the content of any disclosures made pursuant to the terms hereof. The Administrator shall have only such duties as are specifically set forth in this Disclosure Agreement, and no implied covenants shall be read into this Disclosure Agreement with respect to the Administrator. To the extent permitted by law, the Issuer agrees to hold harmless the Administrator, its officers, directors, employees and agents, but only from Administrative Expenses collected from the property owners in the District, against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Administrator's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Administrator and payment in full of the Bonds. Nothing in this Disclosure Agreement shall be construed to mean or to imply that the Administrator is an "obligated person" under the Rule. The Administrator is not acting in a fiduciary capacity in connection with the performance of its respective obligations hereunder. The Administrator shall not in any event incur any liability with respect to (i) any action taken or omitted to be taken in good faith upon advice of legal counsel given with respect to any question relating to duties and responsibilities of the Administrator hereunder, or (ii) any action taken or omitted to be taken in

reliance upon any document delivered to the Administrator and believed to be genuine and to have been signed or presented by the proper party or parties.

The Administrator may, from time to time, consult with legal counsel of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or their respective duties hereunder, and the Administrator shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel.

(c) UNDER NO CIRCUMSTANCES SHALL THE DISSEMINATION AGENT, THE ADMINISTRATOR, OR THE ISSUER BE LIABLE TO THE OWNER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY ANY PARTY TO THIS DISCLOSURE AGREEMENT WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS DISCLOSURE AGREEMENT, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE. THE DISSEMINATION AGENT AND THE ADMINISTRATOR ARE UNDER NO OBLIGATION NOR ARE THEY REQUIRED TO BRING SUCH AN ACTION.

SECTION 12. Assessment Timeline. The basic expected timeline for the collection of Assessments and the anticipated procedures for pursuing the collection of delinquent Assessments is set forth in Exhibit C which is intended to illustrate the general procedures expected to be followed in enforcing the payment of delinquent Assessments. Failure to adhere to such expected timeline shall not constitute a default by the Issuer under this Disclosure Agreement, the Indenture, the Bonds or any other document related to the Bonds.

SECTION 13. No Personal Liability. No covenant, stipulation, obligation or agreement of the Issuer, the Administrator or Dissemination Agent contained in this Disclosure Agreement shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future council members, officer, agent or employee of the Issuer, the Administrator or Dissemination Agent in other than that person's official capacity.

SECTION 14. Severability. In case any section or provision of this Disclosure Agreement, or any covenant, stipulation, obligation, agreement, act or action, or part thereof made, assumed, entered into, or taken thereunder or any application thereof, is for any reasons held to be illegal or invalid, such illegality or invalidity shall not affect the remainder thereof or any other section or provision thereof or any other covenant, stipulation, obligation, agreement, act or action, or part thereof made, assumed, entered into, or taken thereunder (except to the extent that such remainder or section or provision or other covenant, stipulation, obligation, agreement, act or action, or part thereof is wholly dependent for its operation on the provision determined to be invalid), which shall be construed and enforced as if such illegal or invalid portion were not contained therein, nor shall such illegality or invalidity of any application thereof affect any legal and valid application thereof, and each such section, provision, covenant, stipulation, obligation, agreement, act or action, or part thereof shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

SECTION 15. Sovereign Immunity. The Dissemination Agent and the Administrator agree that nothing in this Disclosure Agreement shall constitute or be construed as a waiver of the Issuer's sovereign or governmental immunities regarding liability or suit.

SECTION 16. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Administrator, the Dissemination Agent, the Participating Underwriter, and the Owners and the beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity. Nothing in this Disclosure Agreement is intended or shall act to disclaim, waive or otherwise limit the duties of the Issuer under federal and state securities laws.

SECTION 17. Dissemination Agent and Administrator Compensation. The fees and expenses incurred by the Dissemination Agent and the Administrator for their respective services rendered in accordance with this Disclosure Agreement constitute Administrative Expenses and will be included in the Annual Installments as provided in the annual updates to the Service and Assessment Plan. The Issuer shall pay or reimburse the Dissemination Agent and the Administrator, but only with funds to be provided from the Administrative Expenses component of the Annual Installments collected from the property owners in the District, for the fees and expenses for their respective services rendered in accordance with this Disclosure Agreement.

SECTION 18. Legislative Matters.

(a) The Dissemination Agent and the Administrator represent that neither the Dissemination Agent, the Administrator nor any parent company, wholly- or majority-owned subsidiaries, and other affiliates of the Dissemination Agent or the Administrator is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer's internet website:

<https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf>,
<https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or
<https://comptroller.texas.gov/purchasing/docs/fto-list.pdf>.

The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal or State law and excludes the Dissemination Agent, the Administrator and each parent company, wholly- or majority-owned subsidiaries, and other affiliates of the Dissemination Agent or the Administrator, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. The Dissemination Agent and Administrator understand "affiliate" to mean an entity that controls, is controlled by, or is under common control with the Dissemination Agent or the Administrator within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit.

(b) The Issuer, Dissemination Agent and Administrator hereby certify that this Disclosure Agreement does not have a value of \$100,000 or more and is therefore exempt from Chapter 2271.002, Texas Government Code and Chapter 2274, Texas Government Code (as added by Senate Bill 13 and Senate Bill 19 in the 87th Texas Legislative Session). The Dissemination Agent and Administrator agree that when aggregated their compensation hereunder will not exceed \$100,000.

(c) Pursuant to Section 2252.908(c)(4), Texas Government Code, as amended, the Dissemination Agent hereby certifies it is a publicly traded business entity and is not required to file a Certificate of Interested Parties Form 1295 related to this Disclosure Agreement. Submitted herewith is a completed Form 1295 in connection with the Administrator's participation in the execution of this Disclosure Agreement generated by the Texas Ethics Commission's (the "TEC") electronic filing application in accordance with the provisions of Section 2252.908 of the Texas Government Code and the rules promulgated by the TEC (the "Form 1295"). The Issuer hereby confirms receipt of the Form 1295 from the Administrator, and the Issuer agrees to acknowledge such form with the TEC through its electronic filing application not later than the thirtieth (30th) day after the receipt of such form. The Administrator and the Issuer understand and agree that, with the exception of information identifying the Issuer and the contract identification number, neither the Issuer nor its consultants are responsible for the information contained in the Form 1295; that the information contained in the Form 1295 has been provided solely by the Administrator; and, neither the Issuer nor its consultants have verified such information.

SECTION 19. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of Texas.

SECTION 20. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Signature pages follow]

CITY OF SINTON, TEXAS
(as Issuer)

By: _____
Mayor

UMB BANK, N.A.
(as Dissemination Agent)

By: _____
Authorized Officer

MUNICAP, INC.
(as Administrator)

By: _____
Authorized Officer

EXHIBIT A

**NOTICE TO MSRB OF FAILURE TO FILE
ANNUAL ISSUER REPORT**

Name of Issuer: City of Sinton, Texas
Name of Bond Issue: Special Assessment Revenue Bonds, Series 2022
(Somerset Public Improvement District No. 1) (the “Bonds”)
CUSIP Nos. [insert CUSIP NOs.]
Date of Delivery: _____, 20__

NOTICE IS HEREBY GIVEN that the City of Sinton, Texas, has not provided [Annual Financial Information][audited Annual Financial Statements] for fiscal year ended _____ with respect to the Bonds as required by the Continuing Disclosure Agreement of the Issuer dated as of January 1, 2022, by and among the Issuer, MuniCap, Inc., as the “Administrator,” and UMB Bank, N.A., as “Dissemination Agent.” The Issuer anticipates that [the Annual Issuer Report][audited financial statements] will be filed by _____.

Dated: _____

UMB Bank, N.A.,
on behalf of the City of Sinton, Texas
(as Dissemination Agent)

By: _____

Title: _____

cc: City of Sinton, Texas

EXHIBIT B

**CITY OF SINTON, TEXAS,
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2022
(SOMERSERT PUBLIC IMPROVEMENT DISTRICT NO. 1)**

ANNUAL FINANCIAL INFORMATION¹

Delivery Date: _____, 20__

CUSIP NOSs: [insert CUSIP NOs.]

DISSEMINATION AGENT

Name: UMB Bank, N.A.
Address: [_____]]
City: [_____, Texas _____]
Telephone: (____) ____ - ____
Contact Person: Attn: _____

BONDS OUTSTANDING

| CUSIP Number | Maturity Date | Interest Rate | Original Principal Amount | Outstanding Principal Amount | Outstanding Interest Amount |
|--------------|---------------|---------------|---------------------------|------------------------------|-----------------------------|
| | | | | | |
| | | | | | |
| | | | | | |

INVESTMENTS

| Fund/ Account Name | Investment Description | Par Value | Book Value | Market Value |
|--------------------|------------------------|-----------|------------|--------------|
| | | | | |
| | | | | |
| | | | | |
| | | | | |

¹ Excluding audited financial statements of the Issuer.

THIRD-PARTY INVESTMENT CONTRACTS⁽¹⁾

| Third-Party | Interest Rate | Amount of Investment |
|-------------|---------------|----------------------|
| | | |
| | | |

⁽¹⁾ If not applicable, indicate as such.

ITEMS REQUIRED BY SECTIONS 4(a)(ii) – (vii)

[Insert a line item]

SECTION 4(a)(viii) COLLECTION AND DELINQUENCY HISTORY OF THE ASSESSMENTS WITHIN THE DISTRICT FOR THE PAST FIVE FISCAL YEARS, IN THE FOLLOWING FORMAT:

Collection and Delinquent History of Assessments

| Collected in Fiscal Year Ending 9/30 | Assessment Billed | Parcels Levied | Delinquent Amount as of 3/1 | Delinquent Percentage as of 3/1 | Delinquent Amount as of 9/1 | Delinquent Percentage as of 9/1 | Total Assessments Collected ⁽¹⁾ |
|--|----------------------|-------------------|-----------------------------------|---------------------------------------|-----------------------------------|---------------------------------------|--|
| 20__ | \$ | | | | | | \$ |

⁽¹⁾ Collected as of _____, 20__. Includes \$_____ attributable to Prepayments.

ITEMS REQUIRED BY SECTIONS 4(a)(ix) – (xii) OF THE CONTINUING DISCLOSURE AGREEMENT OF THE ISSUER RELATING TO THE CITY OF SINTON, TEXAS SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2022 (SOMERSET PUBLIC IMPROVEMENT DISTRICT NO. 1)

[Insert a line item for each applicable listing]

EXHIBIT C

BASIC EXPECTED TIMELINE FOR ASSESSMENT COLLECTIONS AND PURSUIT OF DELINQUENCIES¹

| <u>Date</u> | <u>Delinquency Clock (Days)</u> | <u>Activity</u> |
|-------------|---------------------------------|--|
| January 31 | | Assessments are due. |
| February 1 | 1 | Assessments delinquent if not received. |
| February 15 | 15 | <p>Immediately upon receipt, but in no event later than February 15, Issuer forwards payment to Trustee for all collections received, along with detailed breakdown. Subsequent payments and relevant details will follow monthly thereafter.</p> <p>Issuer and/or Administrator should be aware of actual and specific delinquencies</p> <p>Administrator should be aware if Reserve Fund needs to be utilized for debt service payments during the corresponding Fiscal Year. If there is to be a shortfall of any Annual Installments due to be paid that Fiscal Year, the Dissemination Agent should be immediately notified in writing.</p> <p>Administrator should determine if previously collected surplus funds, if any, plus actual Annual Installment collections will be fully adequate for debt service in the corresponding March and September.</p> <p>At this point, if total delinquencies are under 5% and if there is adequate funding for March and September payments, no further action is anticipated for collection of Assessments except that the Issuer or Administrator, working with the City Attorney or an appropriate designee, will begin process to cure deficiency. For properties delinquent by more than one year or if the delinquency exceeds \$10,000 the matter will be referred for commencement of foreclosure, in</p> |

¹ Illustrates anticipated dates and procedures for pursuing the collection of delinquent Annual Installments of Assessments, which dates and procedures shall be in accordance with Chapters 31, 32, 33 and 34, Texas Tax Code, as amended (the "Code"), and the San Patricio County Tax/Assessor Collector's procedures, and are subject to adjustment by the Issuer. If the collection and delinquency procedures under the Code are subsequently modified, whether due to an executive order of the Governor of Texas or an amendment to the Code, such modifications shall control.

accordance with the San Patricio County Tax/Assessor Collector's procedures².

If there are over 5% delinquencies or if there is insufficient funding in the Pledged Revenue Fund for transfer to the Principal and Interest Account of the Bond Fund of such amounts as shall be required for the full March and September payments, the collection-foreclosure procedure will proceed against all delinquent properties, in accordance with the San Patricio County/Tax Assessor Collector procedures².

March 15 43/44

Trustee pays Bond interest payments to Owners.

Reserve Fund payment to Bond Fund may be required if Assessments are below approximately 50% collection rate.

Issuer, or the Trustee on behalf of the Issuer, to notify Dissemination Agent in writing of the occurrence of draw on the Reserve Fund and, following receipt of such notice, Dissemination Agent to notify MSRB of such draw or the Reserve Fund.

Use of Reserve Fund for debt service payment should trigger commencement of foreclosure on delinquent properties.

July 1 152/153

Issuer, or the Administrator on behalf of the Issuer, determines whether or not any Annual Installments are delinquent and, if such delinquencies exist, the Issuer commences as soon as practicable appropriate and legally permissible actions to obtain such delinquent Annual Installments, in accordance with the San Patricio County/Tax Assessor Collector procedures².

Preliminary Foreclosure activity commences, in accordance with the San Patricio County/Tax Assessor Collector procedures², and Issuer to notify Dissemination Agent in writing of the commencement of preliminary foreclosure activity.

² If the collection and delinquency procedures under the Code are subsequently modified, whether due to an executive order of the Governor of Texas or an amendment to the Code, such modifications shall control.

If Dissemination Agent has not received Foreclosure Schedule and Plan of Collections, Dissemination Agent to request same from the Issuer.

If the Issuer has not provided the Dissemination Agent with Foreclosure Schedule and Plan of Collections, and if instructed by a Majority Interest under Section 11.02 of the Indenture, Trustee requests that the Issuer commence foreclosure or provide plan for collection and deliver such plan to the Dissemination Agent.

August 15

197/198

The designated lawyers or law firm will be preparing the formal foreclosure documents and will provide periodic updates to the Dissemination Agent for dissemination to those Owners who have requested to be notified of collections progress. The goal for the foreclosure actions is a filing by no later than August 15 (day 197/198).

Foreclosure action to be filed with the court, in accordance with the San Patricio County/Tax Assessor Collector procedures³.

Issuer notifies Trustee and Dissemination Agent of Foreclosure filing status in writing. Dissemination Agent notifies Owners.

If Owners and Dissemination Agent have not been notified of a foreclosure action, Dissemination Agent will notify the Issuer that it is appropriate to file action.

³ If the collection and delinquency procedures under the Code are subsequently modified, whether due to an executive order of the Governor of Texas or an amendment to the Code, such modifications shall control.

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

APPENDIX E-2

FORM OF DISCLOSURE AGREEMENT OF THE DEVELOPER

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

**CITY OF SINTON, TEXAS,
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2022
(SOMERSET PUBLIC IMPROVEMENT DISTRICT NO. 1)**

CONTINUING DISCLOSURE AGREEMENT OF DEVELOPER

This Continuing Disclosure Agreement of Developer dated as of January 1, 2022 (this “Disclosure Agreement”) is executed and delivered by and among Somerset Land Company, LLC (as more fully defined herein, the “Developer”), MuniCap, Inc. (as more fully defined herein, the “Administrator”) and UMB Bank, N.A., acting solely in its capacity as dissemination agent (as more fully defined herein, the “Dissemination Agent”), with respect to the “City of Sinton, Texas Special Assessment Revenue Bonds, Series 2022 (Somerset Public Improvement District No. 1)” (the “Bonds”). The Developer, the Administrator, and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Developer, the Administrator and the Dissemination Agent for the benefit of the Owners (defined below) and beneficial owners of the Bonds. Unless and until a different filing location is designated by the MSRB (defined below) or the SEC (defined below), all filings made by the Dissemination Agent pursuant to this Disclosure Agreement shall be filed with the MSRB through EMMA (defined below).

SECTION 2. Definitions. In addition to the definitions set forth above and in the Indenture of Trust dated as of January 1, 2022, relating to the Bonds (the “Indenture”), which apply to any capitalized term used in this Disclosure Agreement, including the Exhibits hereto, unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Administrative Expenses” shall have the meaning assigned to such term in the Indenture.

“Administrator” shall mean the Issuer or the person or independent firm designated by the Issuer who shall have the responsibility provided in the Service and Assessment Plan, the Indenture, or any other agreement or document approved by the Issuer related to the duties and responsibilities of the administration of the District. The Issuer has selected MuniCap, Inc. as the current Administrator.

“Annual Installment” shall have the meaning assigned to such term in the Indenture.

“Annual Service Plan Update” shall mean the annual review and update of the Service and Assessment Plan required by the PID Act and the Service and Assessment Plan.

“Assessments” shall have the meaning assigned to such term in the Indenture.

“Assessment Roll” shall have the meaning assigned to such term in the Indenture.

“Authorized Improvements” shall have the meaning assigned to such term in the Indenture.

“Business Day” shall mean any day other than a Saturday, Sunday or legal holiday in the State of Texas observed as such by the Dissemination Agent or the Trustee or any national holiday observed by the Trustee.

“Certification Letter” shall mean a certification letter provided by a Reporting Party pursuant to Section 3, in substantially the form attached as Exhibit D.

“Completion Agreement” shall mean the Completion Agreement dated as of January 1, 2022 by and between the Issuer, the Developer and UMB Bank, N.A., Austin, Texas, as trustee.

“Developer” shall mean, Somerset Land Company, LLC, a Texas limited liability company, including its respective affiliates, successors and assigns.

“Developer Listed Events” shall mean any of the events listed in Section 4(a) of this Disclosure Agreement.

“Disclosure Agreement of Issuer” shall mean the Continuing Disclosure Agreement of Issuer dated as of January 1, 2022 executed and delivered by the Issuer, the Administrator and the Dissemination Agent.

“Dissemination Agent” shall mean UMB Bank, N.A., Austin, Texas, a national banking association duly organized and existing under the laws of the United States, acting solely in its capacity as dissemination agent, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Trustee a written acceptance of such designation.

“District” shall mean Somerset Public Improvement District No. 1.

“EMMA” shall mean the Electronic Municipal Market Access System currently available on the internet at <http://emma.msrb.org>.

“Homebuilder(s)” shall mean any merchant homebuilder who enters into a Homebuilder Purchase Agreement with the Developer, and the affiliates and/or successors and assigns of such homebuilder under such Homebuilder Purchase Agreement.

“Homebuilder Purchase Agreement” shall mean, with respect to lots or land within the District, any Purchase Agreement between one or more Homebuilders and the Developer to purchase lots or to purchase land intended for single family residential use, including detached or attached single family homes or townhomes.

“Issuer” shall mean the City of Sinton, Texas.

“Listed Events” shall mean any of the events listed in Section 4(a), 4(b) and 4(c) of this Disclosure Agreement.

“Majority Interest” shall mean, as of any particular date of calculation, the Owners of no less than fifty-one percent (51%) of the principal amount of the then Outstanding Bonds.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC to receive continuing disclosure reports pursuant to the Rule.

“Non-SF Landowner” shall mean any landowner, other than the Developer, who acquires a Non-SF Parcel within the District.

“Non-SF Landowner Purchase Agreement” shall mean, with respect to lots or land within the District, any Purchase Agreement between one or more Non-SF Landowners and the Developer to purchase lots or to purchase land intended for any use other than single family residential.

“Non-SF Parcel” shall mean any Parcel in the District that is designated for any use other than single family residential use, including, but not limited to, commercial, retail, office or multifamily residential.

“Owner” shall mean the registered owner of any Bonds.

“Participating Underwriter” shall mean FMSbonds, Inc. and its successors and assigns.

“PID Act” means Chapter 372, Texas Local Government Code, as amended.

“Purchase Agreement” shall mean, collectively, any Homebuilder Purchase Agreement and any Non-SF Landowner Purchase Agreement.

“Quarterly Ending Date” shall mean each March 31, June 30, September 30 and December 31, beginning March 31, 2022.

“Quarterly Filing Date” shall mean for each Quarterly Ending Date, the fifteenth calendar day of the second month following such Quarterly Ending Date being May 15, August 15, November 15, and February 15.

“Quarterly Information” shall have the meaning assigned to such term in Section 3 of this Disclosure Agreement.

“Quarterly Report” shall mean any Quarterly Report described in Section 3 of this Disclosure Agreement and substantially similar to that attached as Exhibit A hereto.

“Reporting Party” shall mean, collectively, the Developer and any Significant Owners who have acknowledged and assumed reporting obligations in accordance with Section 5 of this Disclosure Agreement.

“Rule” shall mean Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the United States Securities and Exchange Commission.

“Service and Assessment Plan” shall have the meaning assigned to such term in the Indenture.

“SF Parcel” shall mean any Parcel in the District that is designated for single family residential use.

“Significant Homebuilder” shall mean a Homebuilder, including any affiliates of such Homebuilder, that then owns ten (10) or more single family residential lots within the District.

“Significant Homebuilder Listed Events” shall mean any of the events listed in Section 4(b) of this Disclosure Agreement.

“Significant Non-SF Landowner” shall mean any Non-SF Landowner, including any affiliates of such Non-SF Landowner, other than the Developer, that then owns property within the District representing at least five percent (5%) of the total Annual Installments of the Assessments as of each Quarterly Ending Date.

“Significant Non-SF Listed Events” shall mean any of the events listed in Section 4(c) of this Disclosure Agreement.

“Significant Owner” shall mean, collectively, any Significant Homebuilder and any Significant Non-SF Landowner.

“Trustee” shall mean UMB Bank, N.A., Austin, Texas, a national banking association duly organized and existing under the laws of the United States, acting solely in its capacity as trustee, or any successor trustee pursuant to the Indenture.

SECTION 3. Quarterly Reports.

(a) The Developer, with respect to the District, and any Significant Owner, with respect to its acquired real property, shall, at its cost and expense, provide, or cause to be provided, to the Administrator, not more than ten (10) days after each Quarterly Ending Date, beginning with March 31, 2022, the information required for the preparation of the Quarterly Report (with respect to each Reporting Party, the “Quarterly Information”). The Reporting Party shall provide, or cause to be provided, such Quarterly Information until such party’s obligations terminate pursuant to Section 6 of this Disclosure Agreement. For the avoidance of doubt, (i) if the Developer elects, the Developer may, but shall not be obligated to, provide any Quarterly Information on behalf of any Significant Owner and (ii) the Developer shall remain obligated with respect to any real property acquired by a Significant Owner until an acknowledgment of assignment with respect to such real property is delivered in accordance with Section 5 of this Disclosure Agreement, at which time the Developer shall have no further obligation or liability for disclosures or other responsibilities under this Disclosure Agreement as to the property transferred.

(b) The Administrator shall (i) prepare each Quarterly Report with the Quarterly Information provided by each Reporting Party pursuant to subsection (a) above and (ii) provide to the

Reporting Parties each Quarterly Report for review no later than twenty (20) days after each Quarterly Ending Date. Each Reporting Party shall review the Quarterly Report and, upon such review, shall promptly, but no later than thirty (30) days after each Quarterly Ending Date, provide to the Administrator the Certification Letter and authorize the Administrator to provide such Quarterly Report and Certification Letter to the Issuer and Dissemination Agent pursuant to subsection (c) below. In all cases, each Reporting Party shall have the sole responsibility for the content, design and other elements comprising substantive contents of all of the Quarterly Information provided by such Reporting Party contained in the Quarterly Report. Notwithstanding anything to the contrary in this Disclosure Agreement, the Developer shall use commercially reasonable efforts to cause to be provided any information required by this Section 3 regarding and in the possession of a Homebuilder or a Non-SF Landowner that is not a Reporting Party. Without limiting the generality of the immediately preceding sentence, commercially reasonable efforts in such regard shall include, but not be limited to, ensuring that each Purchase Agreement that is executed with a Homebuilder or Non-SF Landowner after the date hereof contains a provision obligating the applicable Homebuilder or Non-SF Landowner to provide the Developer the information required by this Section 3 as and when required for the Developer to comply with its obligations hereunder.

(c) The Administrator shall provide to the Dissemination Agent, no later than thirty-five (35) days after each Quarterly Ending Date, the Quarterly Report containing the information described in this Section 3, the Certification Letter(s) provided by each Reporting Party, and written direction to the Dissemination Agent to file such documents with the MSRB. The Dissemination Agent shall file the Quarterly Report and the Certification Letter(s) with the MSRB and provide a copy of such report to the Issuer and the Participating Underwriter within ten (10) days of the Dissemination Agent's receipt thereof pursuant to this subsection 3(c); provided, however, that the Quarterly Report and the Certification Letter(s) must be submitted to the MSRB not later than each Quarterly Filing Date. In the event that any Reporting Party or the Administrator does not provide the information required by subsection (a) or (b) of this Section, as applicable, in a timely manner and, as a result, either an incomplete Quarterly Report is filed with the MSRB, or a Quarterly Report is not filed with the MSRB by each Quarterly Filing Date, the Dissemination Agent shall, upon written direction from the applicable Reporting Party file a notice of failure to provide Quarterly Information or failure to file a Quarterly Report with the MSRB in substantially the form attached as Exhibit B, as soon as practicable. If incomplete Quarterly Information is provided by any Reporting Party, the Dissemination Agent or any other Reporting Party who provided complete information shall not be responsible for the failure to submit a complete Quarterly Report to the MSRB. If each Reporting Party timely provides the required Quarterly Information to the Administrator as described in this Section 3, the failure of the Administrator to provide the information provided by each Reporting Party to the Dissemination Agent, or the failure of the Dissemination Agent to provide such information to the Participating Underwriter in a timely manner, shall not be deemed a default by the Reporting Parties under this Disclosure Agreement.

(d) Such Quarterly Report shall be in a form similar to that as attached in Exhibit A hereof and shall include:

(i) In a form similar to that as Table 3(d)(i) in Exhibit A attached hereto, the composition of the property within the District subject to the Assessments, including:

A. The total number of proposed single family residential lots and proposed number of acres of Non-SF Parcels, with the Non-SF Parcels broken out by type of use, within the District, as of the Quarterly Ending Date;

B. The total number of proposed single family residential lots and proposed number of acres of Non-SF Parcels, with the Non-SF Parcels broken out by type of use, within the District, identified in the prior Quarterly Report;

C. The number of platted single family residential lots and platted Non-SF Parcels, with the Non-SF Parcels broken out by type of use, within the District, as of the Quarterly Ending Date;

D. The number of platted single family residential lots and platted Non-SF Parcels, with the Non-SF Parcels broken out by type of use, within the District identified in the prior Quarterly Report; and

E. An explanation as to any change to the total number of proposed single family residential lots and proposed number of acres of Non-SF Parcels within the District from the prior Quarterly Report;

(ii) In a form similar to that as Table 3(d)(ii) in Exhibit A attached hereto, the landowner composition of the District, including:

A. The number of Parcels and/or lots owned by the Developer, each Homebuilder and Non-SF Landowner (including the lot type for the Non-SF Landowners), if any, and homeowners (end-users); and

B. Based on the information in the Annual Service Plan Update most recently approved by the Issuer, the percentage of Annual Installments of Assessments relative to the total Annual Installments of Assessments for the Developer, each Homebuilder and Non-SF Landowner, if any, and homeowners (end-users), as of the Quarterly Ending Date;

(iii) In a form similar to that as Table 3(d)(iii) in Exhibit A attached hereto, for each SF Parcel, lot absorption statistics by lot type, on a quarter over quarter and cumulative total basis, as applicable, including:

A. The number of single family lots platted in the District during the applicable quarter, broken down by landowner;

B. The number of single family lots in the District owned by the Developer not closed or under contract with a Homebuilder, as of the Quarterly Ending Date;

C. The number of single family lots in the District owned by the Developer under contract (but not closed) with a Homebuilder, as of the Quarterly Ending Date and broken down by Homebuilder; and

D. The number of single family lots in the District closed with a Homebuilder during the applicable quarter and on a cumulative total basis, broken down by Homebuilder;

(iv) In a form similar to that as Table 3(d)(iv) in Exhibit A attached hereto, for each SF Parcel and for each Homebuilder, broken down by lot type, on a quarter over quarter and cumulative total basis, as applicable:

A. The number of homes under construction in the District, as of the Quarterly Ending Date;

B. The number of completed homes not under contract with homeowners (end-users) in the District, as of the Quarterly Ending Date;

C. The number of homes that became under contract with homeowners (end-users) in the District during the applicable quarter;

D. The number of homes closed with (delivered to) homeowners (end-users) in the District, as of the Quarterly Ending Date;

E. The average sales price of homes closed with homeowners (end-users) during the applicable quarter; and

F. The estimated date of completion of all homes to be constructed by the Homebuilder;

(v) In a form similar to that as Table 3(d)(v) in Exhibit A attached hereto, for each Non-SF Parcel within the District designated as multifamily residential:

A. Name of landowner/developer/builder entity;

B. Number of actual or expected dwelling units by type of unit;

C. Actual or expected date of commencement of vertical construction;

D. Actual or expected date of substantial completion of the multifamily facility;

E. Actual or expected average rental rates by dwelling unit type; and

F. Narrative update on construction milestones of vertical construction since the date of the prior Quarterly Report.

(vi) In a form similar to that as Table 3(d)(vi) in Exhibit A attached hereto, for each Non-SF Parcel designated as any use other than multifamily residential, including but not limited to, commercial, office, retail, and mixed-use:

A. Name of landowner/developer/builder entity;

- B. Actual or expected use for such Parcel (i.e., retail, office, mixed-use, etc.);
- C. Number of acres of such Parcel;
- D. Actual or expected date of commencement of vertical construction on the applicable Parcel;
- E. Actual or expected date of substantial completion of vertical improvements on the applicable Parcel;
- F. Type of business(es) or tenant(s), if any; and
- G. Narrative update on construction milestones of vertical construction since the date of the prior Quarterly Report.

(vii) In a form similar to that as Table 3(d)(vii) in Exhibit A attached hereto, materially adverse changes or determinations to permits/approvals for the development of the District which necessitates changes to the land use plans of the Developer; and

(viii) In a form similar to that as Table 3(d)(viii) in Exhibit A attached hereto, information on any existing, new or modified mortgage debt on the land within the District owned by the Developer, including the original principal amount, loan balance, existence of deeds of trust or other similar encumbrances against the property within the District, interest rate and terms of repayment.

(e) In a form similar to that as Tables 3(e)(i)-(iii) in Exhibit A attached hereto, with respect to the Authorized Improvements, as set forth in the Service and Assessment Plan, the Developer shall provide or cause to be provided the following information to the Administrator for inclusion in each Quarterly Report:

- (i) Construction budget and timeline for the Authorized Improvements, including:
 - A. Total budgeted costs of all the Authorized Improvements;
 - B. Total actual costs of the Authorized Improvements drawn from the Projects Account, Excess Collections Fund and Reimbursement Fund, as of the Quarterly Ending Date;
 - C. Total actual costs of the Authorized Improvements financed with other sources of funds (i.e., non-bond financed or non-Assessment financed), as of the Quarterly Ending Date;
 - D. Actual or expected date of commencement of construction;
 - E. Actual or expected construction completion date, and if there is a delay from the date previously reported, an explanation of the delay; and

F. Actual acceptance date by the Issuer or other applicable entity, if accepted; and

(ii) Narrative update on construction milestones for the Authorized Improvements since the date of the prior Quarterly Report.

(iii) In accordance with the Completion Agreement, evidence that sufficient Loan (as defined in the Completion Agreement) capacity remains to fund the then-remaining Developer Financial Commitment (as defined in the Completion Agreement). Notwithstanding anything contained herein, any reporting required pursuant to this Section 3(e)(iii) shall terminate upon the release of Completion Agreement pursuant to its terms. In the next Quarterly Report submitted following the release of the Completion Agreement, the Developer shall include a statement regarding such release and termination of the reporting responsibilities pursuant to this Section 3(e)(iii).

SECTION 4. Event Reporting Obligations.

(a) Pursuant to the provisions of this Section 4, each of the following is a Developer Listed Event with respect to the Bonds:

(i) Failure to pay any real property taxes or Assessments levied within the District on a Parcel owned by the Developer; provided, however, that the exercise of any right of the Developer as a landowner within the District to exercise legal and/or administrative procedures to dispute the amount or validity of all or any part of any real property taxes shall not be considered a Developer Listed Event under this Section 4(a) nor a breach or default of this Disclosure Agreement;

(ii) Material damage to or destruction of any development or improvements in the District, including the Authorized Improvements;

(iii) Material default by the Developer or any of the Developer's affiliates on any loan with respect to the, acquisition, development or permanent financing of the District undertaken by the Developer or any of the Developer's affiliates;

(iv) Material default by the Developer or any of the Developer's affiliates on any loan secured by property within the District owned by the Developer or any of the Developer's affiliates;

(v) The bankruptcy, insolvency or similar filing of the Developer or any of the Developer's affiliates or any determination that the Developer or any of the Developer's affiliates is unable to pay its debts as they become due;

(vi) The consummation of a merger, consolidation, or acquisition of the Developer, or the sale of all or substantially all of the assets of the Developer or any of the Developer's affiliates, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(vii) The filing of any lawsuit with a claim for damages, in excess of \$250,000 against the Developer or any of the Developer's affiliates that may adversely affect the completion of the development of the District or litigation that may materially adversely affect the financial condition of the Developer or any of the Developer's affiliates;

(viii) Any material change in the legal structure, chief executive officer or controlling ownership of the Developer; and

(ix) Any assignment and assumption of disclosure obligations under this Disclosure Agreement pursuant to Section 5 herein.

(b) Pursuant to the provisions of this Section 4, each of the following occurrences related to any Significant Homebuilder is a Significant Homebuilder Listed Event with respect to the Bonds;

(i) Failure to pay any real property taxes or Assessments levied within the District on a lot or Parcel owned by such Significant Homebuilder; provided, however, that the exercise of any right of such Significant Homebuilder as a landowner within the District to exercise legal and/or administrative procedures to dispute the amount or validity of all or any part of any real property taxes shall not be considered a Significant Homebuilder Listed Event under this Section 4(b) nor a breach or default of this Disclosure Agreement;

(ii) The bankruptcy, insolvency or similar filing of such Significant Homebuilder or any determination that such Significant Homebuilder is unable to pay its debts as they become due;

(iii) The consummation of a merger, consolidation, or acquisition involving such Significant Homebuilder or the sale of all or substantially all of the assets of the Significant Homebuilder, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(iv) Any material change in the type of legal entity, chief executive officer or controlling ownership of such Significant Homebuilder;

(v) Early termination of or material default by such Significant Homebuilder under a Homebuilder Purchase Agreement; and

(vi) Any assignment and assumption of disclosure obligations under this Disclosure Agreement pursuant to Section 5 herein.

(c) Pursuant to the provisions of this Section 4, each of the following occurrences related to each Significant Non-SF Landowner is a Significant Non-SF Listed Event with respect to the Bonds:

(i) Failure to pay any real property taxes or Assessments levied within the District on a lot or Parcel owned by such Significant Non-SF Landowner; provided, however, that the exercise of any right of such Significant Non-SF Landowner as a landowner within the District to exercise legal and/or administrative procedures to dispute the amount or validity of all or any

part of any real property taxes shall not be considered a Significant Non-SF Listed Event under this Section 4(c) nor a breach or default of this Disclosure Agreement;

(ii) The bankruptcy, insolvency or similar filing of such Significant Non-SF Landowner or any determination that such Significant Non-SF Landowner is unable to pay its debts as they become due;

(iii) The consummation of a merger, consolidation, or acquisition involving such Significant Non-SF Landowner or the sale of all or substantially all of the assets of such Significant Non-SF Landowner, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(iv) Any material change in the type of legal entity, chief executive officer or controlling ownership of such Significant Non-SF Landowner;

(v) Early termination of or material default by such Significant Non-SF Landowner under a Non-SF Landowner Purchase Agreement; and

(vi) Any assignment and assumption of disclosure obligations under this Disclosure Agreement pursuant to Section 5 herein.

(d) Whenever a Reporting Party obtains knowledge of the occurrence of a Listed Event applicable to such Reporting Party, such Reporting Party shall promptly, and not more than five (5) Business Days after such Reporting Party obtains such knowledge, notify the Issuer, the Administrator and the Dissemination Agent in writing and the Reporting Party shall direct the Dissemination Agent to file a notice of such occurrence with the MSRB, in the manner hereinafter described, and provide a copy of such notice to the Issuer and the Participating Underwriter. Any such notice is required to be filed within ten (10) Business Days after the Reporting Party becomes aware of the occurrence of such Listed Event. If the Reporting Party timely notifies the Dissemination Agent of the occurrence of a Listed Event, as described in this Section 4, the failure of the Dissemination Agent to provide such notice to the Participating Underwriter in a timely manner shall not be deemed a default by such Reporting Party under this Disclosure Agreement.

The Developer and each other Reporting Party, if any, shall only be responsible for reporting the occurrence of a Listed Event applicable to such Reporting Party and shall not be responsible for reporting the occurrence of a Listed Event applicable to any other Significant Owner, regardless of if such Reporting Party is providing Quarterly Information on behalf of any other Significant Owner.

Any notice under the preceding paragraph shall be accompanied with the text of the disclosure that the applicable Reporting Party desires to make, the written authorization of such Reporting Party for the Dissemination Agent to disseminate such information as provided herein, and the date the Reporting Party desires for the Dissemination Agent to disseminate the information.

In all cases, the applicable Reporting Party shall have the sole responsibility for the content, design and other elements comprising substantive contents of all disclosures. In addition, the applicable Reporting Party shall have the sole responsibility to ensure that any notice required to be

filed with the MSRB under this Section 4 is actually filed within ten (10) Business Days after such Reporting Party becomes aware of the Listed Event applicable to such Reporting Party.

(e) The Dissemination Agent shall, promptly, and not more than five (5) Business Days after obtaining actual knowledge of the occurrence of any Listed Event, notify in writing the Administrator and the applicable Reporting Party of such Listed Event. The Dissemination Agent shall not be required to file a notice of the occurrence of such Listed Event with the MSRB unless and until it receives written instructions from the applicable Reporting Party to do so. It is agreed and understood that the duty to make or cause to be made the disclosures herein is that of the Reporting Party and not that of the Trustee or the Dissemination Agent. It is agreed and understood that the Dissemination Agent has agreed to give the foregoing notice to the applicable Reporting Party as an accommodation to assist it in monitoring the occurrence of such event, but is under no obligation to investigate whether any such event has occurred. As used above, “actual knowledge” means the actual fact or statement of knowing, without a duty to make any investigation with respect thereto. In no event shall the Dissemination Agent be liable in damages or in tort to the Participating Underwriter, the Administrator, the Issuer, any Reporting Party or any Owner or beneficial owner of any interests in the Bonds as a result of its failure to give the foregoing notice or to give such notice in a timely fashion.

(f) If the Dissemination Agent has been notified in writing by a Reporting Party to report the occurrence of a Listed Event in accordance with subsections (d) or (e) of this Section 4, the Dissemination Agent shall file a notice of such occurrence with the MSRB promptly after its receipt of such written instructions from such Reporting Party; provided that all such notices must be filed no later than the date specified in subsection (d) of this Section 4 for such Listed Event.

SECTION 5. Assumption of Reporting Obligations by Significant Owner.

(a) If a Homebuilder or Non-SF Landowner acquires ownership of real property in the District resulting in such Homebuilder or Non-SF Landowner becoming a Significant Owner, the Developer may (i) cause such Significant Owner to comply with the Developer’s disclosure obligations under Sections 3(d)(iii)-(vi), 4(b) or 4(c) hereof, as applicable, with respect to such acquired real property until such party’s disclosure obligations terminate pursuant to Section 6 of this Disclosure Agreement or (ii) elect to provide any or all Quarterly Information on behalf of such Significant Owner; provided, however, that if the Developer initially elects to provide any or all Quarterly Information on behalf of such Significant Owner, the Developer may elect in the future to cause such Significant Owner to comply with the Developer’s disclosure obligations, as described in (i) above.

(b) If the Developer elects to cause a Significant Owner to comply with the Developer’s disclosure obligations, as described in (i) above, the Developer shall deliver to the Dissemination Agent, Administrator and the Issuer a written acknowledgement from each Significant Homebuilder, in substantially the form attached as Exhibit E, or a written acknowledgement from each Significant Non-SF Landowner, in substantially the form attached as Exhibit F (collectively, the “Significant Owner Acknowledgment”), acknowledging and assuming its obligations under this Disclosure Agreement. Pursuant to Sections 4(a)(ix) above, the Developer shall direct the Dissemination Agent to file a copy of the Significant Owner Acknowledgment with the MSRB, in accordance with Sections 4(d) and 4(f) above. Upon any such transfer to a Significant Owner, and such Significant Owner’s delivery of

written acknowledgement of assumption of the Developer's obligations under this Disclosure Agreement as to the property transferred, the Developer shall have no further obligation or liability for disclosures or other responsibilities under this Disclosure Agreement as to the property transferred or the obligations assigned. The Developer shall remain obligated with respect to any real property acquired by a Significant Owner until an acknowledgment of assignment with respect to such real property is delivered to the Dissemination Agent, Administrator, the Issuer and the MSRB, in accordance with this Section 5(b).

(c) Notwithstanding anything to the contrary elsewhere herein, after such transfer of ownership, the Developer shall not be liable for the acts or omissions of such Significant Owner arising from or in connection with such disclosure obligations under this Disclosure Agreement. Additionally, for the avoidance of doubt, the Developer shall use commercially reasonable efforts to require that any Significant Owner comply with obligations of this Section 5 with respect to any subsequent transfers by such Significant Owner to any individual or entity meeting the definition of a "Significant Owner" in the future, including the requirement, pursuant to Section 4(b)(vi) or 4(c)(vi) above, to direct the Dissemination Agent to file a copy of the Significant Owner Acknowledgment with the MSRB, in accordance with Sections 4(d) and 4(e) above.

(d) If a Significant Owner acquires land within the District with the intent to develop such property for single family residential use, but, subsequent to such acquisition, converts the intended use to any use other than single family residential use, or vice versa, the reporting obligations of such Significant Owner under this Disclosure Agreement shall continue with respect to the new intended use of the property so converted.

SECTION 6. Termination of Reporting Obligations.

(a) With respect to the SF Parcels, the reporting obligations of the Developer or any Significant Homebuilder under this Disclosure Agreement shall terminate upon, the earlier of (i) the date when none of the Bonds remain Outstanding, (ii) when the Developer or such Significant Homebuilder, including their respective affiliates and/or successors and assigns, no longer owns ten (10) or more single family residential lots within the District, as of each Quarterly Ending Date, or (iii) the Issuer's issuance of the certificate of occupancy for the last single family residential lot or Parcel owned by the Developer or such Significant Homebuilder, including their respective affiliates and/or successors and assigns, respectively; provided, however, if the Developer elects to provide any or all Quarterly Information on behalf of a Significant Homebuilder in accordance with Section 5(a) above, the reporting obligations of the Developer under this Disclosure Agreement, with respect to the SF Parcels, shall terminate upon, the earlier of (i) the date when none of the Bonds remain Outstanding, (ii) when the Developer and such Significant Homebuilder(s) (on behalf of whom the Developer is reporting), including their respective affiliates and/or successors and assigns, collectively no longer owns ten (10) or more single family residential lots within the District, as of each Quarterly Ending Date, or (iii) the Issuer's issuance of the certificate of occupancy for the last single family residential lot or Parcel owned by the Developer and such Significant Homebuilder(s) (on behalf of whom the Developer is reporting), including their respective affiliates and/or successors and assigns.

(b) With respect to the Non-SF Parcels, the reporting obligations of the Developer or any Significant Non-SF Landowner under this Disclosure Agreement shall terminate upon, the earlier of (i) the date when none of the Bonds remain Outstanding, (ii) when the Developer or such Significant

Non-SF Landowner, including their respective affiliates and/or successors and assigns, is no longer responsible for the payment of Annual Installments of Assessments equal to at least five percent (5%) of the total Annual Installment of Assessments, as of each Quarterly Ending Date or (iii) with respect to a specific Non-SF Parcel, the Issuer's issuance of the last certificate of occupancy for such Non-SF Parcel owned by the Developer or such Significant Non-SF Landowner, including their respective affiliates and/or successors and assigns, respectively; provided, however, if the Developer elects to provide any or all Quarterly Information on behalf of a Significant Non-SF Landowner in accordance with Section 5(a) above, the reporting obligations of the Developer under this Disclosure Agreement, with respect to the Non-SF Parcels, shall terminate upon, the earlier of (i) the date when none of the Bonds remain Outstanding, (ii) when the Developer and such Significant Non-SF Landowner(s) (on behalf of whom the Developer is reporting), including their respective affiliates and/or successors and assigns, are collectively no longer responsible for the payment of Annual Installments of Assessments equal to at least five percent (5%) of the total Annual Installment of Assessments, as of each Quarterly Ending Date, or (iii) with respect to one or more specific Non-SF Parcels, the Issuer's issuance of the last certificate of occupancy for such Non-SF Parcel owned by the Developer and/or such Significant Non-SF Landowner(s) (on behalf of whom the Developer is reporting), including their respective affiliates and/or successors and assigns.

(c) Upon receipt of written notice from a Reporting Party or the Dissemination Agent that the reporting obligations of a Reporting Party have terminated in accordance with subsection (a) or (b) of this Section 6, the Administrator shall provide written notice to the applicable Reporting Party, the Participating Underwriter, the Issuer, and the Dissemination Agent in substantially the form attached as Exhibit C, thereby terminating such Reporting Party's reporting obligations under this Disclosure Agreement (the "Termination Notice"). If such Termination Notice with respect to a Reporting Party occurs while any of the Bonds remain Outstanding, the Administrator shall immediately provide, or cause to be provided, the Termination Notice to the Dissemination Agent, and the Dissemination Agent shall provide such Termination Notice to the MSRB, the Issuer, the Trustee, the applicable Reporting Party and the Participating Underwriter on or before the next succeeding Quarterly Filing Date.

(d) The obligations of the Administrator and the Dissemination Agent under this Disclosure Agreement shall terminate upon, the earlier of (i) the date when none of the Bonds remain Outstanding, or (ii) termination of all Reporting Parties' reporting obligations in accordance with subsection (a) and (b) of this Section 6 and any Termination Notice required by subsection (c) of this Section 6 has been provided to the MSRB, the Issuer, the Trustee, the Dissemination Agent, the Reporting Parties, and the Participating Underwriter, as applicable.

SECTION 7. Dissemination Agent. The initial Dissemination Agent appointed hereunder shall be UMB Bank, N.A. The Issuer may, from time to time, appoint or engage a successor Dissemination Agent to assist the Reporting Parties in carrying out their obligations under this Disclosure Agreement and may discharge such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Issuer shall be the Dissemination Agent. Pursuant to the Disclosure Agreement of Issuer, the Issuer has agreed to provide written notice to each then-existing Reporting Party of any change in the identity of the Dissemination Agent. The Dissemination Agent may resign at any time with thirty (30) days' written notice to the Issuer.

SECTION 8. Amendment; Waiver. Notwithstanding any other provisions of this Disclosure Agreement, the Developer, the Administrator and the Dissemination Agent may jointly amend this Disclosure Agreement (and the Dissemination Agent shall not unreasonably withhold its consent to any amendment so requested by the Developer or Administrator), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3 or 4, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Developer, or the type of business conducted; and

(b) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or beneficial owners of the Bonds. No amendment which adversely affects the Dissemination Agent or the Issuer may be made without the respective party's prior written consent (which consent will not be unreasonably withheld or delayed).

(c) In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Administrator shall describe such amendment in the next related Quarterly Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type of financial information or operating data being presented by the Reporting Parties. The Developer shall provide, or cause to be provided, at its cost and expense, an executed copy of any amendment or waiver entered into under this Section 8 to the Issuer, the Administrator, the Dissemination Agent and the Participating Underwriter.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent any Reporting Party from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in addition to that which is required by this Disclosure Agreement. If any Reporting Party chooses to include any information in any Quarterly Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, no Reporting Party shall have an obligation under this Disclosure Agreement to update such information or include it in any future Quarterly Report or notice of occurrence of a Listed Event.

SECTION 10. Content of Disclosures. In all cases, the applicable Reporting Party shall have the sole responsibility for the content, design and other elements comprising substantive contents of all disclosures, whether provided under Section 3, 4 or 9 of this Disclosure Agreement.

SECTION 11. Default. In the event of a failure of a Reporting Party, Dissemination Agent or Administrator to comply with any provision of this Disclosure Agreement, any Owner or beneficial owner of the Bonds may, and the Trustee (at the request of any Participating Underwriter or the Owners of a Majority Interest and upon being indemnified to its satisfaction) shall, take such actions as may be necessary and appropriate to cause the Reporting Party, Dissemination Agent and/or Administrator to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture with respect to the Bonds, and the sole remedy under this Disclosure Agreement in the event of any failure of the

Developer, Dissemination Agent or Administrator to comply with this Disclosure Agreement shall be an action to mandamus or specific performance. A default under this Disclosure Agreement by a Reporting Party, the Dissemination Agent or the Administrator shall not be deemed a default under the Disclosure Agreement of Issuer, and a default under the Disclosure Agreement of Issuer by the Issuer shall not be deemed a default under this Disclosure Agreement by a Reporting Party, the Dissemination Agent or the Administrator. Furthermore, a default under this Disclosure Agreement by any Reporting Party shall not be deemed a default under this Disclosure Agreement by any other Reporting Party, and no Reporting Party shall have any obligation to take any action to mitigate or cure the default of any other Reporting Party.

SECTION 12. Duties, Immunities and Liabilities of Dissemination Agent and Administrator.

(a) The Dissemination Agent shall not have any duty with respect to the content of any disclosures made pursuant to the terms hereof. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and no implied covenants shall be read into this Disclosure Agreement with respect to the Dissemination Agent. The Developer agrees to indemnify and hold harmless the Dissemination Agent, its officers, directors, employees and agents against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Developer under this Section shall survive resignation or removal of the Dissemination Agent and payment in full of the Bonds. Nothing in this Disclosure Agreement shall be construed to mean or to imply that the Dissemination Agent is an "obligated person" under the Rule. If any Reporting Party or the Administrator does not provide the information required by Sections 3(a) or (b) in a timely manner or incomplete Quarterly Information is provided by any Reporting Party, the Dissemination Agent shall not be responsible for the failure to submit a complete Quarterly Information or Quarterly Report to the MSRB. The Dissemination Agent is not acting in a fiduciary capacity in connection with the performance of its respective obligations hereunder. The Dissemination Agent shall not in any event incur any liability with respect to (i) any action taken or omitted to be taken in good faith upon advice of legal counsel given with respect to any question relating to duties and responsibilities of the Dissemination Agent hereunder, or (ii) any action taken or omitted to be taken in reliance upon any document delivered to the Dissemination Agent and believed to be genuine and to have been signed or presented by the proper party or parties.

(b) The Administrator shall not have any duty with respect to the content of any disclosures made pursuant to the terms hereof. The Administrator shall have only such duties as are specifically set forth in this Disclosure Agreement, and no implied covenants shall be read into this Disclosure Agreement with respect to the Administrator. The Developer agrees to hold harmless the Administrator, its officers, directors, employees and agents against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Administrator's breach, negligence or willful misconduct. The obligations of the Developer under this Section shall survive resignation or removal of the Administrator and payment in full of the Bonds. Nothing in this Disclosure Agreement shall be construed to mean or to imply that the Administrator is an "obligated person" under the Rule. The

Administrator is not acting in a fiduciary capacity in connection with the performance of its respective obligations hereunder. The Administrator shall not in any event incur any liability with respect to (i) any action taken or omitted to be taken in good faith upon advice of legal counsel given with respect to any question relating to duties and responsibilities of the Administrator hereunder, or (ii) any action taken or omitted to be taken in reliance upon any document delivered to the Administrator and believed to be genuine and to have been signed or presented by the proper party or parties.

(c) The Dissemination Agent or the Administrator may, from time to time, consult with legal counsel of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or their respective duties hereunder, and the Dissemination Agent and Administrator shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel.

(d) UNDER NO CIRCUMSTANCES SHALL THE DISSEMINATION AGENT, THE ADMINISTRATOR, THE DEVELOPER OR ANY SIGNIFICANT OWNER BE LIABLE TO THE OWNER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY ANY PARTY TO THIS DISCLOSURE AGREEMENT OR A SIGNIFICANT OWNER, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS DISCLOSURE AGREEMENT, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE. THE DISSEMINATION AGENT AND THE ADMINISTRATOR ARE UNDER NO OBLIGATION NOR ARE THEY REQUIRED TO BRING SUCH AN ACTION.

SECTION 13. No Personal Liability. No covenant, stipulation, obligation or agreement of a Reporting Party, the Administrator or the Dissemination Agent contained in this Disclosure Agreement shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future officer, agent or employee of the Reporting Party, the Administrator or Dissemination Agent in other than that person's official capacity.

SECTION 14. Severability. In case any section or provision of this Disclosure Agreement, or any covenant, stipulation, obligation, agreement, act or action, or part thereof made, assumed, entered into, or taken thereunder or any application thereof, is for any reasons held to be illegal or invalid, such illegality or invalidity shall not affect the remainder thereof or any other section or provision thereof or any other covenant, stipulation, obligation, agreement, act or action, or part thereof made, assumed, entered into, or taken thereunder (except to the extent that such remainder or section or provision or other covenant, stipulation, obligation, agreement, act or action, or part thereof is wholly dependent for its operation on the provision determined to be invalid), which shall be construed and enforced as if such illegal or invalid portion were not contained therein, nor shall such illegality or invalidity of any application thereof affect any legal and valid application thereof, and each such section, provision, covenant, stipulation, obligation, agreement, act or action, or part thereof shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

SECTION 15. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Reporting Parties, the Administrator, the Dissemination Agent, the Issuer, the Participating

Underwriter, and the Owners and the beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity. Nothing in this Disclosure Agreement is intended or shall act to disclaim, waive or otherwise limit the duties of the Issuer under federal and state securities laws.

SECTION 16. Dissemination Agent Compensation. The fees and expenses incurred by the Dissemination Agent for its services rendered in accordance with this Disclosure Agreement constitute Administrative Expenses and will be included in the Annual Installments as provided in the Annual Service Plan Update. The Issuer shall pay or reimburse the Dissemination Agent, but only with funds to be provided from the Administrative Expenses component of the Annual Installments collected from the property owners in the District, for the fees and expenses for its services rendered in accordance with this Disclosure Agreement.

SECTION 17. Administrator Compensation. The fees and expenses incurred by the Administrator for its services rendered in accordance with this Disclosure Agreement constitute Administrative Expenses and will be included in the Annual Installments as provided in the Annual Service Plan Update. The Administrator has entered into a separate agreement with the Issuer, which agreement governs the administration of the District, including the payment of the fees and expenses of the Administrator for its services rendered in accordance with this Disclosure Agreement.

SECTION 18. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of Texas.

SECTION 19. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Signature pages follow.]

UMB BANK, N.A.
(as Dissemination Agent)

By: _____
Authorized Officer

SIGNATURE PAGE OF CONTINUING DISCLOSURE AGREEMENT OF DEVELOPER

S-1

SOMERSET LAND COMPANY LLC,
a Texas limited liability company
(as Developer)

By: _____

Name: _____

Title: _____

SIGNATURE PAGE OF CONTINUING DISCLOSURE AGREEMENT OF DEVELOPER

MUNICAP, INC.
(as Administrator)

By: _____
Title: _____

SIGNATURE PAGE OF CONTINUING DISCLOSURE AGREEMENT OF DEVELOPER

EXHIBIT A

**CITY OF SINTON, TEXAS,
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2022
(SOMERSET PUBLIC IMPROVEMENT DISTRICT NO. 1)**

QUARTERLY REPORT
[INSERT QUARTERLY ENDING DATE]

Delivery Date: _____, 20__

CUSIP Numbers: [Insert CUSIP Numbers]

DISSEMINATION AGENT

Name: UMB Bank, N.A.
Address: _____
City: _____
Telephone: _____
Contact Person: _____

[Remainder of page intentionally left blank]

TABLE 3(d)(i)

DISTRICT OVERVIEW

(as of [*Insert Quarterly Ending Date*])

NUMBER OF PROPOSED AND PLATTED SINGLE FAMILY RESIDENTIAL LOTS, PROPOSED NON-SF ACRES AND PLATTED NON-SF PARCELS IN THE DISTRICT SUBJECT TO ASSESSMENTS:

| | As of [<i>Insert Quarterly Ending Date</i>] | As of [<i>Insert Prior Quarterly Ending Date</i>] | Explanation as to any change to the total number of proposed single family lots or non-single family acres from the prior Quarterly Report |
|------------------------------|---|---|--|
| Single Family | | | |
| Total Proposed SF Lots | | | |
| Total Platted SF Lots | | | N/A |
| Non-Single Family | | | |
| Total Proposed Non-SF Acres | | | |
| [Multifamily] | | | |
| [Restaurant] | | | |
| [Retail] | | | |
| [Travel Center] | | | |
| [Office] | | | |
| [Hotel] | | | |
| Total Platted Non-SF Parcels | | | N/A |
| [Multifamily] | | | N/A |
| [Restaurant] | | | N/A |
| [Retail] | | | N/A |
| [Travel Center] | | | N/A |
| [Office] | | | N/A |
| [Hotel] | | | N/A |

[Remainder of page intentionally left blank]

TABLE 3(d)(ii)

| LANDOWNER COMPOSITION (as of [Insert Quarterly Ending Date]) OF THE DISTRICT | | | |
|---|--------------------|--|---|
| Landowner Composition | Lot Type | Actual Number of Parcels/Lots Owned | % of Annual Installments of Assessments ⁽¹⁾ |
| Developer Owned | | | |
| | N/A | | |
| Homebuilder Owned⁽²⁾ | | | |
| [] | N/A | | |
| [] | N/A | | |
| [] | N/A | | |
| | | | |
| Non-SF Landowner Owned⁽²⁾ | | | |
| [] | [] ⁽⁴⁾ | | |
| [] | [] ⁽⁴⁾ | | |
| [] | [] ⁽⁴⁾ | | |
| [] | [] ⁽⁴⁾ | | |
| | | | |
| Homeowner (End-User) Owned⁽³⁾ | | | |
| | N/A | | |
| Total District: | N/A | | |

(1) Derived from information in the Assessment Roll approved by the Issuer on _____, 20__ as part of the Annual Service Plan Update. Does not take into consideration any prepayments of Assessments made between the date of such Annual Service Plan Update and the date of this Quarterly Report.

(2) Add lines for each Homebuilder and Non-SF Landowner.

(3) Information for homeowner (end-user) owned is reported as the total aggregate amount for all homeowners within the District.

(4) Include lot type for each Non-SF Landowner, as identified in the Service and Assessment Plan (i.e., multifamily, restaurant, retail, office, travel center and hotel).

[Remainder of page intentionally left blank]

FOR EACH PARCEL DESIGNATED AS SINGLE FAMILY RESIDENTIAL:

TABLE 3(d)(iii)

| LOT ABSORPTION STATISTICS FOR SINGLE FAMILY RESIDENTIAL IN THE DISTRICT ⁽¹⁾ | | | | | | | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-------|
| | Q 20__ | TOTAL |
| # of platted SF lots: <ul style="list-style-type: none"> • [Developer/Homebuilder] ○ 50' ○ 80' Subtotal | | | | | | | | | | | |
| <ul style="list-style-type: none"> • [Developer/Homebuilder] ○ 50' ○ 80' Subtotal | | | | | | | | | | | |
| <ul style="list-style-type: none"> • [Developer/Homebuilder] ○ 50' ○ 80' Subtotal | | | | | | | | | | | |
| TOTAL | | | | | | | | | | | |
| # of SF lots not under contract with Homebuilders: <ul style="list-style-type: none"> • 50' • 80' TOTAL | | | | | | | | | | | N/A |
| # of SF lots under contract (but not closed) with Homebuilders: <ul style="list-style-type: none"> • [Homebuilder] ○ 50' ○ 80' Subtotal | | | | | | | | | | | N/A |
| <ul style="list-style-type: none"> • [Homebuilder] ○ 50' ○ 80' Subtotal | | | | | | | | | | | N/A |
| <ul style="list-style-type: none"> • [Homebuilder] ○ 50' ○ 80' Subtotal | | | | | | | | | | | N/A |
| TOTAL | | | | | | | | | | | |

[Table continues on next page]

TABLE 3(d)(iii) (continued)

| LOT ABSORPTION STATISTICS FOR SINGLE FAMILY RESIDENTIAL IN THE DISTRICT ⁽¹⁾ | | | | | | | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-------|
| | Q 20__ | TOTAL |
| # of SF lots closed with Homebuilders: | | | | | | | | | | | |
| • [Homebuilder] | | | | | | | | | | | |
| ○ 50' | | | | | | | | | | | |
| ○ 80' | | | | | | | | | | | |
| Subtotal | | | | | | | | | | | |
| • [Homebuilder] | | | | | | | | | | | |
| ○ 50' | | | | | | | | | | | |
| ○ 80' | | | | | | | | | | | |
| Subtotal | | | | | | | | | | | |
| • [Homebuilder] | | | | | | | | | | | |
| ○ 50' | | | | | | | | | | | |
| ○ 80' | | | | | | | | | | | |
| Subtotal | | | | | | | | | | | |
| TOTAL | | | | | | | | | | | |

⁽¹⁾ Add information for each Homebuilder and add rows if additional lot types are added in the District.

[Remainder of page intentionally left blank]

TABLE 3(d)(iv)

| [Homebuilder] ABSORPTION STATISTICS FOR SINGLE FAMILY RESIDENTIAL LOTS IN THE DISTRICT ⁽¹⁾ | | | | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-------|
| | Q 20__ | TOTAL |
| # of SF homes under construction: • 50' • 80' TOTAL | | | | | | | | N/A |
| # of completed SF homes NOT under contract with end-user: • 50' • 80' TOTAL | | | | | | | | N/A |
| # of SF homes under contract with end-user: • 50' • 80' TOTAL | | | | | | | | N/A |
| # of SF homes closed on (delivered to) end-users: • 50' • 80' TOTAL | | | | | | | | |
| Average sales price of homes delivered to end-users: • 50' • 80' AVERAGE | | | | | | | | |

⁽¹⁾ Additional tables to be added for each Homebuilder. Add rows if additional lot types are added in the District.

The estimated date of completion of all homes to be constructed by [Homebuilder] is _____, ____.

The estimated date of completion of all homes to be constructed by [Homebuilder] is _____, ____.

[Remainder of page intentionally left blank]

FOR EACH NON-SF PARCEL DESIGNATED AS MULTIFAMILY RESIDENTIAL:

TABLE 3(d)(v)

| DEVELOPMENT OF MULTIFAMILY RESIDENTIAL | | | | |
|---|--|---|--|--|
| Name of Landowner/ Developer/Builder | Number of Actual/Expected Dwelling Units by Type | Actual/Expected Date of Commencement of Vertical Construction | Actual/Expected Date of Substantial Completion | Actual/Expected Rental Rates by Dwelling Unit Type |
| | | | | |
| | | | | |
| | | | | |

Narrative update on construction milestones of vertical construction since last Quarterly Report:

FOR EACH PARCEL DESIGNATED AS A NON-SF PARCEL, OTHER THAN MULTIFAMILY:

TABLE 3(d)(vi)

| DEVELOPMENT OF NON-SF PARCELS | | | | | |
|---|----------------------------------|------------------------------|---|--|----------------------------|
| Name of Landowner/ Developer/Builder | Actual/Expected use of Parcel | Number of Acres of Parcel | Actual/Expected Date of Commencement of Vertical Construction | Actual/Expected Date of Substantial Completion | Type of Business/Tenant |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

Narrative update on construction milestones of vertical construction since last Quarterly Report:

[Remainder of page intentionally left blank]

STATUS OF DEVELOPMENT:

TABLE 3(d)(vii)

| PERMITS/APPROVALS | |
|--|--|
| Change or Determination to Permit/Approval | Description of the Change to the Land Use Plan |
| | |
| | |

TABLE 3(d)(viii)

| INFORMATION ON EXISTING, NEW OR MODIFIED MORTGAGE DEBT | | | | | | |
|--|--------|--------|--------------|-----------------------------|---------------|-------|
| Borrower | Lender | Amount | Loan Balance | Existence of Deeds of Trust | Interest Rate | Terms |
| | | | | | | |
| | | | | | | |

[Remainder of page intentionally left blank]

STATUS OF AUTHORIZED IMPROVEMENTS:

TABLE 3(e)(i) - (iii)

| AUTHORIZED IMPROVEMENTS BUDGET AND TIMELINE OVERVIEW | | | | | | |
|--|----------------|--|--|--|---------------------------------|------------------------|
| | Budgeted Costs | Actual Costs Draw from Projects Account, Excess Collections Fund and Reimbursement Fund as of [Insert Quarterly Ending Date] | Actual Costs financed with sources other than Bond proceeds as of [Insert Quarterly Ending Date] | Actual/Expected Construction Commencement Date | Actual/Expected Completion Date | Actual Acceptance Date |
| Authorized Improvement: | | | | | | |
| • Roadway Improvements | \$ _____ | \$ _____ | \$ _____ | _____ | _____ | _____ |
| • Water Improvements | \$ _____ | \$ _____ | \$ _____ | _____ | _____ | _____ |
| • Sanitary Sewer Improvements | \$ _____ | \$ _____ | \$ _____ | _____ | _____ | _____ |
| • Storm Drainage Improvements | \$ _____ | \$ _____ | \$ _____ | _____ | _____ | _____ |
| • Other Soft and Miscellaneous Costs | \$ _____ | \$ _____ | \$ _____ | _____ | _____ | _____ |

If there is a delay in the expected completion date for any Authorized Improvement from that previously reported, an explanation of such delay:

Narrative update on construction milestones for Authorized Improvements, since last Quarterly Report:

TABLE 3(e)(iv)

In accordance with the Completion Agreement, evidence that sufficient Loan (as defined in the Completion Agreement) capacity remains to fund the then-remaining Developer Financial Commitment (as defined in the Completion Agreement).

| LOAN INFORMATION TO FUND DEVELOPER FINANCIAL COMMITMENT | | | |
|---|------------------|-----------------------------|------------------------|
| Amount of Developer Financial Commitment | Loan Information | | |
| | Lender | Amount Available Under Loan | Final Maturity of Loan |
| | | | |

EXHIBIT B

**NOTICE TO MSRB OF FAILURE TO
[PROVIDE QUARTERLY INFORMATION][FILE QUARTERLY REPORT]**

[DATE]

Name of Issuer: City of Sinton, Texas
Name of Bond Issue: Special Assessment Revenue Bonds, Series 2022 (Somerset Public Improvement District No. 1)(the “Bonds”)
CUSIP Nos. [insert CUSIP Nos.]
Date of Delivery: _____, 20__

NOTICE IS HEREBY GIVEN that _____, a _____ (the [“Developer”] [“Significant Homebuilder”] [“Significant Non-SF Landowner”]) has not provided the [Quarterly Information][Quarterly Report] for the period ending on [Insert Quarterly Ending Date] with respect to the Bonds as required by the Continuing Disclosure Agreement of Developer dated as of January 1, 2022, by and among Somerset Land Company, LLC (the “Developer”), MuniCap, Inc. (the “Administrator”) and UMB Bank, N.A. (the “Dissemination Agent”). [Developer] [Significant Homebuilder] [Significant Non-SF Landowner] anticipates that the [Quarterly Information][Quarterly Report] will be [provided][filed] by _____.

Dated: _____

UMB BANK, N.A.,
on behalf of the [Developer] [Significant Homebuilder][Significant Non-SF Landowner]
(as Dissemination Agent)

By: _____

Title: _____

cc: City of Sinton, Texas

EXHIBIT C

TERMINATION NOTICE

[DATE]

Name of Issuer: City of Sinton, Texas
 Name of Bond Issue: Special Assessment Revenue Bonds, Series 2022 (Somerset Public Improvement District No. 1)(the “Bonds”)
 CUSIP Nos. [insert CUSIP Nos.]
 Date of Delivery: _____, 20__

FMSbonds, Inc.
 5 Cowboys Way, Suite 300-25
 Frisco, Texas 75034

Somerset Land Company, LLC
 13300 Old Blanco Road, Suite 321
 San Antonio, Texas 78216

City of Sinton, Texas
 301 E. Market
 Sinton, Texas 78387

[Insert Significant Homebuilder
 Contact Information]

UMB Bank, N.A.
 6034 West Courtyard Drive, Suite 370
 Austin, Texas 78730

[Insert Significant Non-SF Landowner
 Contact Information]

NOTICE IS HEREBY GIVEN that _____, a
 _____ (the [“Developer”] [“Significant Homebuilder”] [“Significant Non-SF
 Landowner”]) is no longer responsible for providing [any Quarterly Information][the Quarterly
 Report] with respect to the Bonds, thereby, terminating such party’s reporting obligations under
 the Continuing Disclosure Agreement of Developer dated as of January 1, 2022, by and among
 Somerset Land Company, LLC (the “Developer”), MuniCap, Inc. (the “Administrator”) and
 UMB Bank, N.A. (the “Dissemination Agent”).

Dated: _____

MuniCap, Inc.
 on behalf of the [Developer] [Significant
 Homebuilder][Significant Non-SF Landowner]
 (as Administrator)

By: _____

Title: _____

EXHIBIT D
CERTIFICATION LETTER

[DATE]

Name of Issuer: City of Sinton, Texas
Name of Bond Issue: Special Assessment Revenue Bonds, Series 2022 (Somerset Public Improvement District No. 1)
CUSIP Nos. [insert CUSIP Nos.]
Quarterly Ending Date: _____, 20__

Re: Quarterly Report for Somerset Public Improvement District No. 1

To whom it may concern:

Pursuant to the Continuing Disclosure Agreement of Developer dated as of January 1, 2022, by and among Somerset Land Company, LLC (the “Developer”), MuniCap, Inc. (the “Administrator”) and UMB Bank, N.A. (the “Dissemination Agent”), this letter constitutes the certificate stating that the Quarterly Information, provided by [Developer] [_____, as a “Significant Homebuilder”] [_____, as a “Significant Non-SF Landowner”], contained in this Quarterly Report herein submitted by the Administrator, on behalf of the [Developer] [Significant Homebuilder] [Significant Non-SF Landowner], constitutes the [portion of the] Quarterly Report required to be furnished by [Developer] [Significant Homebuilder] [Significant Non-SF Landowner]. Any and all Quarterly Information, provided by the [Developer] [Significant Homebuilder] [Significant Non-SF Landowner], contained in this Quarterly Report for the three month period ending on [Insert Quarterly Ending Date], to the best of my knowledge, is true and correct, as of [insert date].

Please do not hesitate to contact our office if you have and questions or comments.

SOMERSET LAND COMPANY LLC,
a Texas limited liability company
(as Developer)

By: _____

Name: _____

Title: _____

OR

[SIGNIFICANT HOMEBUILDER
(as Significant Homebuilder)

By: _____

Title: _____]

OR

[SIGNIFICANT NON-SF LANDOWNER
(as Significant Non-SF Landowner)

By: _____

Title: _____]

EXHIBIT E

**FORM OF ACKNOWLEDGEMENT OF ASSIGNMENT
OF SIGNIFICANT HOMEBUILDER REPORTING OBLIGATIONS**

[DATE]

City of Sinton, Texas
301 E. Market
Sinton, Texas 78387

MuniCap, Inc.
600 E. John Carpenter Frwy, Suite 333
Irving, Texas 75602

UMB Bank, N.A.
6034 West Courtyard Drive, Suite 370
Austin, Texas 78730

Re: Somerset Public Improvement District No. 1 – Continuing Disclosure Obligation

Dear _____,

As of _____, 202_, you own ___ single family residential lots within the Somerset Public Improvement District No. 1 (the “District”). Pursuant to Section 2 of the Continuing Disclosure Agreement of the Developer (the “Disclosure Agreement”) dated as of January 1, 2022, by and among, Somerset Land Company, LLC (the “Developer”), MuniCap, Inc. (the “Administrator”) and UMB Bank, N.A. (the “Dissemination Agent”), with respect to the “Special Assessment Revenue Bonds, Series 2022 (Somerset Public Improvement District No. 1)” any entity that owns ten or more single family residential lots within the District is defined as a Significant Homebuilder.

As a Significant Homebuilder, pursuant to Section 5 of the Disclosure Agreement, you acknowledge and assume the reporting obligations under Sections 3(d)(iii), 3(d)(iv) and 4(b) of the Disclosure Agreement for the property which is owned as detailed in the Disclosure Agreement, which is included herewith.

Sincerely,

SOMERSET LAND COMPANY LLC,
a Texas limited liability company
(as Developer)

By: _____

Name: _____

Title: _____

Acknowledged by:

[INSERT SIGNIFICANT HOMEBUILDER NAME]

By: _____

Title: _____

Address: _____

Phone Number: _____

EXHIBIT F

**FORM OF ACKNOWLEDGEMENT OF ASSIGNMENT
OF SIGNIFICANT NON-SF LANDOWNER REPORTING OBLIGATIONS**

[DATE]

City of Sinton, Texas
301 E. Market
Sinton, Texas 78387

MuniCap, Inc.
600 E. John Carpenter Frwy, Suite 333
Irving, Texas 75602

UMB Bank, N.A.
6034 West Courtyard Drive, Suite 370
Austin, Texas 78730

Re: Somerset Public Improvement District No. 1– Continuing Disclosure Obligation

Dear _____,

As of _____, 20__, you own ____ acres of Non-SF Parcels within the Somerset Public Improvement District No. 1 (the “District”), which property represents _____ percent (___%) of the total Annual Installments of the Assessments.

Pursuant to Section 2 of the Continuing Disclosure Agreement of the Developer (the “Disclosure Agreement”) dated as of January 1, 2022, by and among Somerset Land Company, LLC (the “Developer”), MuniCap, Inc. (the “Administrator”) and UMB Bank, N.A. (the “Dissemination Agent”), with respect to the “City of Sinton, Texas, Special Assessment Revenue Bonds, Series 2022 (Somerset Public Improvement District No. 1),” any entity that owns Non-SF Parcels within the District representing at least five percent (5%) of the total Annual Installments of the Assessments is defined as a Significant Non-SF Landowner.

As a Significant Non-SF Landowner, pursuant to Section 5 of the Disclosure Agreement, you acknowledge and assume the reporting obligations under Sections 3(d)[(v)][vi] and 4(c) of the Disclosure Agreement for the property which is owned as detailed in the Disclosure Agreement, which is included herewith.

Sincerely,

SOMERSET LAND COMPANY LLC,
a Texas limited liability company
(as Developer)

By: _____

Name: _____

Title: _____

Acknowledged by:

[INSERT SIGNIFICANT NON-SF LANDOWNER NAME]

By: _____

Title: _____

Address: _____

Phone Number: _____

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

APPENDIX F

APPRAISAL OF THE DISTRICT

(THIS PAGE IS INTENTIONALLY LEFT BLANK)



MARKET VALUE APPRAISAL REPORT



SOMERSET PID

NW/C of Highway 89 and Highway 181
Sinton, Texas 78390

FRA Job No.: 21-FRA-1158

PERTINENT DATES:

Valuation Date "As Is": July 21, 2021
"As Complete": August 1, 2022
Report Date: August 12, 2021

PREPARED FOR:

Mr. John Hobson
City Manager
City of Sinton
301 E. Market
Sinton, TX

PREPARED BY:

Flato Realty Advisors, LLC
8918 Tesoro Drive, Suite 405
San Antonio, Texas 78217

August 12, 2021

Mr. John Hobson
City Manager
City of Sinton
301 E. Market
Sinton, TX

RE: Market Value Appraisal of Real Property
Somerset PID
NW/C of Highway 89 and Highway 181
Sinton, Texas 78390

Flato Realty Adv. Job No.: 21-FRA-1158

Dear Mr. Hobson:

At the request and authorization of the City of Sinton, Flato Realty Advisors, LLC ("Flato") has prepared an appraisal to determine the market value of the individual portions of the referenced property and presented our analysis in the following Market Value Appraisal Report. In the course of completing the valuation, numerous sources have been contacted. These include government sources, active real estate brokers and investors, and homebuilders/developers in the San Patricio/Nueces County and the Coastal Bend areas.

The appraised property encompasses a gross area of 177.36 acres and is proposed to be developed as Somerset PID/TIRZ development, featuring a large single-family residential development tract, multifamily residential development tracts and commercial development tracts. The residential development tract (identified as Tract 1 in this report) consists of 462 proposed single-family lots situated within a 101.95 acre parcel with approximately 34.27 acres of drainage/greenspace and interior roadway areas and approximately 67.69 acres of net developed residential land. The property also features additional commercial sites along the Highway 89 and Highway 181 road frontage; the commercial sites are identified within this report as being Tracts 2 through 8. The commercial tracts range in size from 3.32 acres to 10.00 acres, with varying amounts of frontage along Highway 181, Highway 89 as well as varying frontages along interior development roadways. Lastly, the appraised property is comprised with two multifamily tracts (identified as Tracts 9 and 10 in this report), being 9.98 acres and 20.52 acres. The Somerset PID development is located along the northwest corner of Highway 89 and Highway 181 in Sinton, San Patricio County, Texas.

The project is located in Sinton, Texas, a small community north of Portland, Texas. Sinton is the location of the new Steel Dynamics plant which is currently under development. The projected employment of the plant as well as the associated support plants is projected to exceed 3,700. Additionally, the city benefits from substantial industrial/deep water development in the Portland and Corpus Christi areas.

The proposed residential development tract will feature lots ranging typically from 50 to 80 feet of frontage typically with depths of 110 to 120 feet. The terrain is generally level; and each proposed lot will have a usable building site. Subdivision and site improvements will include paved streets with curbing, storm drainage, street lighting, fire hydrants, underground water, sewer and electricity. The property will be located in a Public Improvement District (PID) as well as a Tax Increment Reinvestment Zone (TIRZ), funded by the

City of Sinton in order to provide all onsite and offsite improvements including roads and utilities to the proposed subdivision.

The proposed residential subdivision portion of the appraised property is appraised utilizing income capitalization approach (lot sell-out) incorporating the Sales Comparison approach in the valuation of the proposed lots, and the Cost Approach. The Income and Cost Approaches most closely reflect the actions of buyers and sellers. The Sales Comparison Approach is utilized in valuing the commercial and residential vacant land tracts including the benefit of the proposed interior development infrastructure (utilities, drainage, grading, streets and curbing).

Additionally, it is noted that this appraisal has been conducted during the worldwide Covid-19 virus pandemic. Market conditions created by the pandemic have reportedly affected and are affecting the operating performance of certain real estate related properties; however, there is no market evidence to support nor indicate that these conditions are impacting good quality suburban residential development and commercial land values. It is projected that the pandemic and effects are not currently, and will not, impact the subject property development as of the date of completion. Therefore, it is our interpretation of the market that no measurable impact considering COVID pandemic/lockdowns/restrictions on market value is present.

The report, in its entirety, including all assumptions and limiting conditions, is an integral part of, and inseparable from, this letter. Data, information, and calculations leading to the value conclusions are incorporated in the report following this letter. The report, in its entirety, including all assumptions and limiting conditions (if any), is an integral part of, and inseparable from, this letter. *The size and number of lots is per the subdivision plan provided by the client. Should the land size or number/size of lots change the value conclusion is subject to revision.*

We have appraised the entire property as a single tract on an “As Is” basis and the proposed residential lots and commercial tracts (the commercial tracts are appraised on an individual basis) on a prospective, “As Proposed” basis, assuming platting and residential and commercial subdivision improvements are completed as proposed. Based on the analysis contained in the following report, and after considering the extraordinary assumptions and hypothetical conditions of this report, the opinion of value of the subject property is as follows:

| MARKET VALUE CONCLUSION | | | | | |
|--|--------------|--------------|-------------------|------------------|---------------|
| Property Description | Tract Number | Size (Acres) | Appraisal Premise | Value Conclusion | \$/Unit |
| Undeveloped Land (As Is) | N/A | 177.36 Ac. | "As Is" | \$6,165,000 | \$34,750 /Ac |
| Residential Land - Proposed 462 SFR lots | Tract 1 | 67.69 Ac. | "As If Complete" | \$15,875,000 | \$34,361 /Lot |
| Commercial/Retail Development Land | Tract 2 | 7.26 Ac. | "As If Complete" | \$2,135,000 | \$6.75 /SF |
| Commercial/Retail Development Land | Tract 3 | 9.39 Ac. | "As If Complete" | \$2,660,000 | \$6.50 /SF |
| Commercial/Retail Development Land | Tract 4 | 3.32 Ac. | "As If Complete" | \$1,085,000 | \$7.50 /SF |
| Commercial/Retail Development Land | Tract 5 | 5.00 Ac. | "As If Complete" | \$2,235,000 | \$10.25 /SF |
| Commercial/Retail Development Land | Tract 6 | 10.00 Ac. | "As If Complete" | \$3,700,000 | \$8.50 /SF |
| Commercial/Retail Development Land | Tract 7 | 5.30 Ac. | "As If Complete" | \$1,965,000 | \$8.50 /SF |
| Commercial/Retail Development Land | Tract 8 | 4.63 Ac. | "As If Complete" | \$1,360,000 | \$6.75 /SF |
| Multi-Family Development Land | Tract 9 | 9.98 Ac. | "As If Complete" | \$1,520,000 | \$3.50 /SF |
| Multi-Family Development Land | Tract 10 | 20.52 Ac. | "As If Complete" | \$2,680,000 | \$3.00 /SF |

The following appraisal sets forth the most pertinent data gathered, the techniques employed, and the reasoning leading to the opinion of value. The analyses, opinions and conclusions were developed based on, and this report has been prepared in conformance with, our interpretation of the guidelines and recommendations set forth in the Uniform Standards of Professional Appraisal Practice (USPAP), the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.

The appraisers have not performed previous appraisal services with regard to this property within the three-year period immediately preceding the date of acceptance of this assignment. The intended use of this appraisal is for determining the market value of the above referenced property for Somerset/Sinton Public Improvement District Project purposes in connection with the upcoming issuance of special assessment revenue bonds by the City of Sinton. The intended users are The City of Sinton, Texas and related parties associated with the Somerset PID.

It has been a pleasure to assist you in this assignment. If you have any questions concerning the analysis, or if Flato Realty Advisors, LLC can be of further service, please contact us.

Respectfully submitted,

FLATO REALTY ADVISORS, LLC

A handwritten signature in black ink, appearing to read 'Franklin L. Flato'.

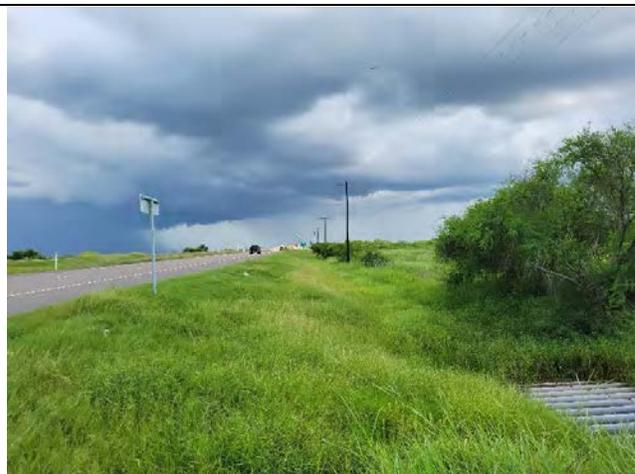
Franklin L. Flato, MAI
President
Certified General Real Estate Appraiser
Texas – TX-1321148-G; Exp. June 30, 2023
E-Mail: franklin@flatorealtyadvisors.com

A handwritten signature in black ink, appearing to read 'Hunter S. LaGrange'.

Hunter S. LaGrange
Appraiser Trainee
Texas – TX-1342036-Trainee
Exp. August 31, 2021
E-Mail: hunter@flatorealtyadvisors.com



Looking south along Tooter Newlin Drive; partially adjoining (to Tract 8) multifamily development shown at left



Looking south along Highway 89/181, subject whole property northeastern corner shown at right



Looking southwest toward the interior of Tract 2 from Highway 89



Road entrance extending in between Tracts 2 and 3 from the west side of Highway 89



Looking west towards the interior of Tract 3 from Highway 89



Looking west towards the southern interior portion of Tract 3 from Highway 89



Looking southwest towards the interior of Tract 4 from the northeastern corner, along Highway 89



Looking west towards the interior of Tract 5 from Highway 89



Looking northeast along the Tract 5 frontage along the Highway 181 and Highway 89 intersection



Looking north towards the eastern interior portion of Tract 6 from Highway 181



Looking north towards a current entrance to Tract 6 from along the north side of Highway 181



Looking north towards a low-lying area within the western portion of Tract 6



Looking northwest towards Tract 7 from the southeastern corner of the site



Looking north towards the southwestern corner of Tract 7 from Highway 181



Looking west along the northern border of Tract 8



Looking west along Highway 181, Tract 8 located at right



Looking north towards the south-central portion of Tract 9



Looking east towards the western portion of Tract 9 from immediately north of the Tooter Newlin Drive terminus



Looking northeast towards the southwestern corner of Tract 1 and the northwestern corner of Tract 9



Looking north towards the southwestern portion of Tract 10



Looking southwest towards the northeastern corner of Tract 10



Looking southeast towards the northeastern corner portion of Tract 1



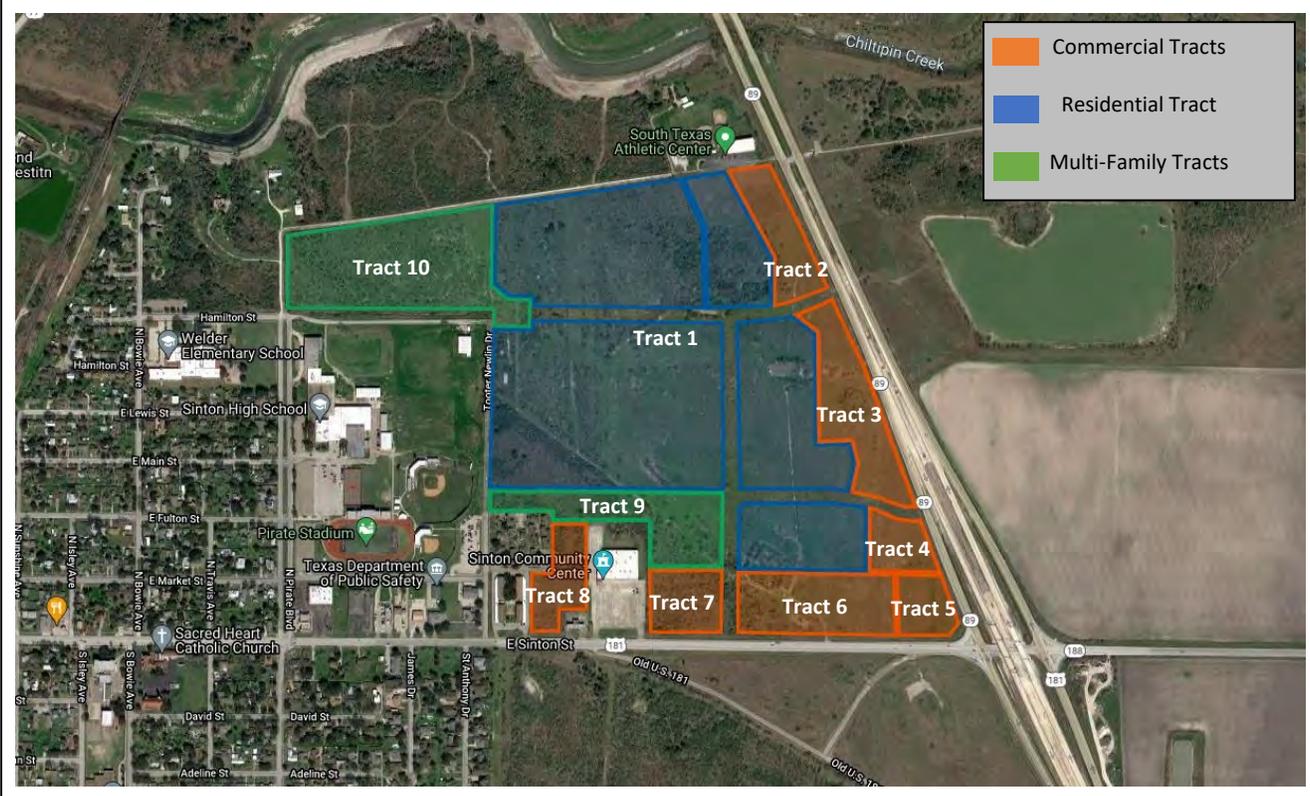
Looking east towards Tract 1 from the southeastern corner of Tract 10



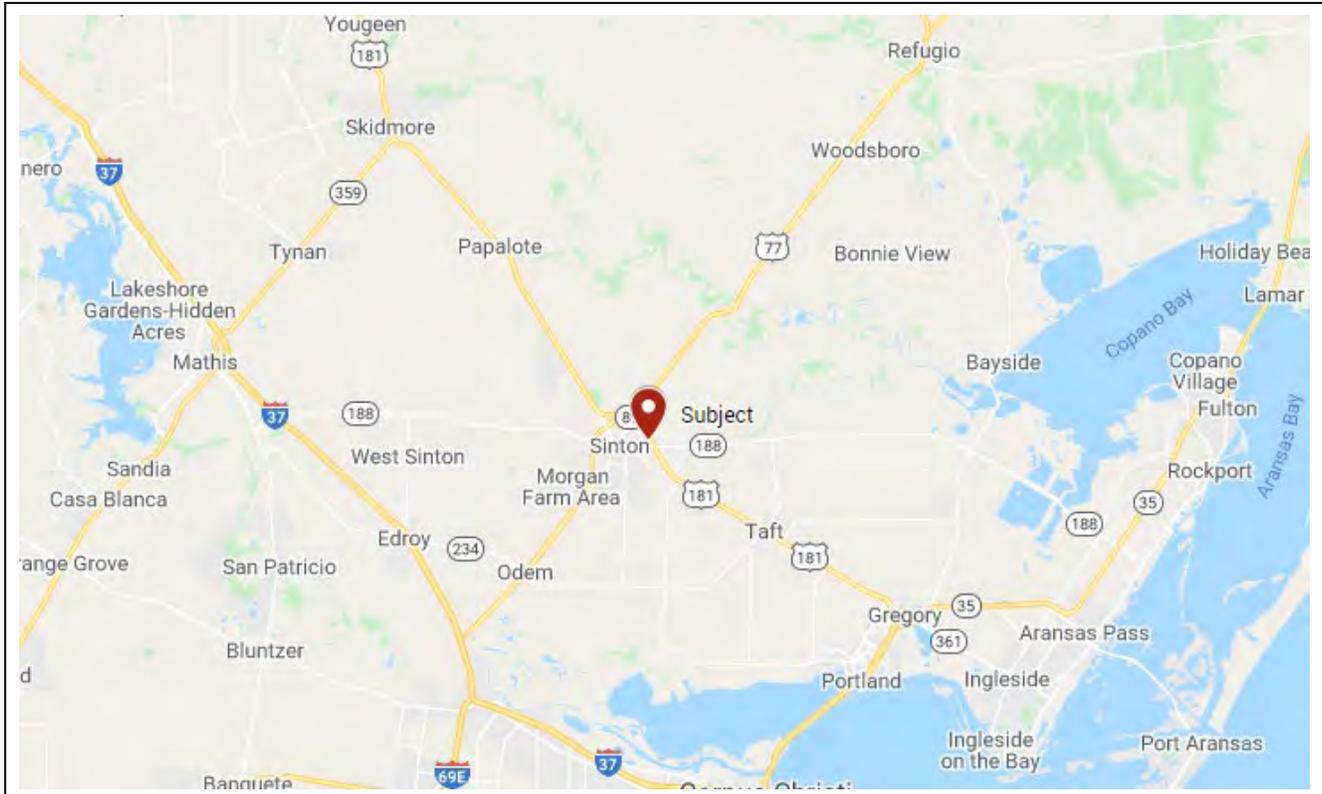
Looking south along the western border of Tract 1 from the southeastern corner of Tract 10



AERIAL (WHOLE SITE AS-IS)



SOMERSET TRACT IDENTIFICATION



SUBJECT LOCATION

EXECUTIVE SUMMARY

| Property Name | Somerset PID |
|-------------------------------------|---|
| Subdivision Name | Somerset |
| Location | NW/C of Highway 89 and Highway 181 |
| Property Description | 462 completed single family lots; 7 tracts of vacant commercial land, 2 tracts of vacant mixed use/medium density land; Somerset Subdivision |
| City | Sinton |
| County | San Patricio |
| State | Texas |
| Property Tax Identification Numbers | 59818, 63543, 63706 |
| Legal Description "As Is" | 177.36 Acre Tract of Land, situated in the John Henderson Survey, Abstract Number 156, and the Archibald Herron Survey, Abstract Number 166, comprising of portions of a 122.77 Acre Tract, a 77.24 Acre Tract, and a 514.98 Acre Tract, being all of Lots 2 and 3, Odem Subdivision Unit 5, Save and Except a 0.85 Acre Tract, as described in |
| Property Owner | Somerset Land Company, LLC |
| Appraisal Premise - As Is | Vacant Land - Current Market Value (As Is) |
| Appraisal Premise - As Proposed | Proposed Lots - Prospective Market Value (As Complete) |

Appraisal Data

| | |
|----------------------------------|---|
| Interest Appraised - As Is | Fee Simple |
| Valuation Date | July 21, 2021 |
| Interest Appraised | Fee Simple |
| Valuation Date - As Complete | August 1, 2022 |
| Report Date | August 12, 2021 |
| Highest & Best Use - As Vacant | Hold for future mixed use residential lot development and commercial/multi-family development |
| Highest & Best Use - As Improved | Single family residential use, multi-family residential use and continued roadside/pad commercial development |

Physical Data

| | | |
|---|--------------|--------------|
| Gross Land Area (As Is) | 177.36 Acres | 7,725,802 SF |
| Net Developed Residential Lot Area | 67.69 Acres | 2,948,467 SF |
| Number of Single Family Lots | 462 Lots | |
| Average Lot Size | 6,382 SF | |
| Average Lot Front Feet | 50 FF | |
| Commercial/Multi-Family land (9 Tracts) | 75.41 Acres | 3,284,724 SF |
| Additional Acreage (Drainage, Greenspace, Roadways, etc.) | 34.27 Acres | 1,492,611 SF |
| Est. Exposure Time | 12 months | |

MARKET VALUE CONCLUSION

| Property Description | Tract Number | Size (Acres) | Appraisal Premise | Value Conclusion | \$/Unit |
|--|--------------|--------------|-------------------|------------------|---------------|
| Undeveloped Land (As Is) | N/A | 177.36 Ac. | "As Is" | \$6,165,000 | \$34,750 /Ac |
| Residential Land - Proposed 462 SFR lots | Tract 1 | 67.69 Ac. | "As If Complete" | \$15,875,000 | \$34,361 /Lot |
| Commercial/Retail Development Land | Tract 2 | 7.26 Ac. | "As If Complete" | \$2,135,000 | \$6.75 /SF |
| Commercial/Retail Development Land | Tract 3 | 9.39 Ac. | "As If Complete" | \$2,660,000 | \$6.50 /SF |
| Commercial/Retail Development Land | Tract 4 | 3.32 Ac. | "As If Complete" | \$1,085,000 | \$7.50 /SF |
| Commercial/Retail Development Land | Tract 5 | 5.00 Ac. | "As If Complete" | \$2,235,000 | \$10.25 /SF |
| Commercial/Retail Development Land | Tract 6 | 10.00 Ac. | "As If Complete" | \$3,700,000 | \$8.50 /SF |
| Commercial/Retail Development Land | Tract 7 | 5.30 Ac. | "As If Complete" | \$1,965,000 | \$8.50 /SF |
| Commercial/Retail Development Land | Tract 8 | 4.63 Ac. | "As If Complete" | \$1,360,000 | \$6.75 /SF |
| Multi-Family Development Land | Tract 9 | 9.98 Ac. | "As If Complete" | \$1,520,000 | \$3.50 /SF |
| Multi-Family Development Land | Tract 10 | 20.52 Ac. | "As If Complete" | \$2,680,000 | \$3.00 /SF |

TABLE OF CONTENTS

| | |
|---|-----|
| INTRODUCTION..... | 1 |
| REGIONAL ANALYSIS..... | 8 |
| NEIGHBORHOOD ANALYSIS..... | 15 |
| RESIDENTIAL MARKET ANALYSIS..... | 23 |
| COMMERCIAL/MIXED-USE/MULTI-FAMILY LAND MARKET ANALYSIS..... | 41 |
| LAND AND DEVELOPMENT ANALYSIS..... | 46 |
| ASSESSMENT AND TAXES..... | 62 |
| HIGHEST AND BEST USE..... | 64 |
| APPRAISAL METHODOLOGY..... | 66 |
| VALUATION OF THE SUBJECT LAND (AS-IS)..... | 68 |
| VALUATION OF THE SUBJECT RESIDENTIAL LAND (TRACT 1)..... | 73 |
| COST APPROACH – PROPOSED LOTS..... | 104 |
| INCOME APPROACH – SUBDIVISION ANALYSIS..... | 106 |
| DISCOUNTED CASH FLOW ANALYSIS – INCOME APPROACH..... | 113 |
| RECONCILIATION..... | 120 |
| CERTIFICATION..... | 121 |
| ASSUMPTIONS AND LIMITING CONDITIONS..... | 122 |

ADDENDA

| | |
|-------------|-----------------------------------|
| ADDENDUM A: | DEFINITIONS |
| ADDENDUM B: | APPRAISER QUALIFICATIONS |
| ADDENDUM C: | CLIENT CORRESPONDENCE |
| ADDENDUM D: | COMPARABLE RESIDENTIAL LAND SALES |
| ADDENDUM E: | COMPARABLE COMMERCIAL LAND SALES |
| ADDENDUM F: | COMPARABLE MULTIFAMILY LAND SALES |

INTRODUCTION

IDENTIFICATION OF THE PROPERTY

The appraised property consists of a 177.36 tract of land proposed for mixed-use development. The subject will include 10 tracts of land, consisting of a proposed residential development tract with 462 single-family lots, 7 commercial tracts and two multifamily tracts. The property is located along the northwest corner of Highway 89 and Highway 181 in the City of Sinton, San Patricio County, Texas. The development includes various infrastructure and trunkline improvements which will include paved interior streets with curbing, street lighting, and underground utilities (to each tract and each lot). The property is within the proposed Somerset PID, as well as the designated TIRZ, which is planned by the city of Sinton for purposes of aiding in funding the infrastructure necessary to support the proposed subdivision and commercial/multifamily tract developments. The sizes of the development tracts are per the Master Plan provided.

The proposed residential lots include 462 single-family residential lots ranging from 50 front feet to 80 front feet and range in depth from 110 feet to 137.5 feet, with an average lot size of approximately 6,382 square feet.

The proposed subject parcels are described as follows:

| Vacant Land Inventory | | | |
|-----------------------|---|---|------------------|
| Tract # | Description | Location | Size (net acres) |
| 1 | Residential Land - Proposed 462 SFR lots | Northwest of Highway 89 and Highway 181, northeast of the Terminus of Tooter Newlin Drive | 67.69 Ac. |
| 2 | Commercial/Retail Development Land | Northwest Corner of Highway 89 and Goodnight Trail | 7.26 Ac. |
| 3 | Commercial/Retail Development Land | Southwest Corner of Highway 89 and Goodnight Trail | 9.39 Ac. |
| 4 | Commercial/Retail Development Land | Southwest Corner of Wagon Wheel and Highway 89 | 3.32 Ac. |
| 5 | Commercial/Retail Development Land | Northwest Corner of Highway 89 and Highway 181 | 5.00 Ac. |
| 6 | Commercial/Retail Development Land | Northeast Corner of Highway 181 and North Somerset Boulevard | 10.00 Ac. |
| 7 | Commercial/Retail Development Land | Northwest Corner of Highway 181 and North Somerset Boulevard | 5.30 Ac. |
| 8 | Commercial/Retail Development Land | Northeast of Highway 181 and Tooter Newlin Drive | 4.63 Ac. |
| 9 | Multi-Family Development Land | Northeast of the Terminus of Tooter Newlin Drive | 9.98 Ac. |
| 10 | Multi-Family Development Land | Northeast of the Terminus of North Pirate Boulevard | 20.52 Ac. |
| | Drainage Areas/Greenspace/Roadways (Est.) | | 34.27 Ac. |
| | Total Net Tract Development Size | | 143.09 Ac. |
| | Total Parent Property Area | | 177.36 Ac. |

Current Ownership History

The subject vacant land (whole property as well as prospective additional phases of the Somerset Development) is currently in the process of being acquired by Wiley McIlwain (intercompany related with Somerset Land Company, LLC) for a price of \$20,000 per acre. The site is owned by approximately 17 different individuals, each with varying percentages of ownership. As a result, the property is being purchased in various percentages as various grantors close in portions with the grantee. Currently, approximately 25% of the property remains to be transferred, reported by the grantee. The remaining percentage has gone under contract and is expected to close during 3Q2021.

The tax account number, land size (per CAD), legal description, ownership (grantor/grantee), ownership documentation number and date of acquisition for each parcel are shown in the chart below (we understand that the subject property is included in deed number 712377):

| Property Identification | | | | | |
|-------------------------|----------------|--|----------------------------|----------------|---|
| Parcel ID No. | Size (per CAD) | Grantor | Grantee | Reference Doc. | Sale Date |
| 59818 | 4.63 Acres | Eda Joan Odem Barrett and Ann B. Oldfather, as Co-Trustees of the Eda Joan Odem Barrett Living Trust | Somerset Land Company, LLC | 712377 | 7/8/2021 (In progress due to undivided interest of grantor) |
| 63543 | 231.01 Acres | Eda Joan Odem Barrett and Ann B. Oldfather, as Co-Trustees of the Eda Joan Odem Barrett Living Trust | Somerset Land Company, LLC | 712377 | 7/8/2021 (In progress due to undivided interest of grantor) |
| 63706 | 800.00 Acres | Eda Joan Odem Barrett and Ann B. Oldfather, as Co-Trustees of the Eda Joan Odem Barrett Living Trust | Somerset Land Company, LLC | 712377 | 7/8/2021 (In progress due to undivided interest of grantor) |

| Identified Tracts within Deed Number 712377 | | |
|---|---------------|---|
| Tract ID | Size per Deed | Legal Description per Deed |
| Tract No. 1 | 172.73 Acres | 172.73 Acre Tract of Land, situated in the John Henderson Survey, Abstract Number 156, and the Archibald Herron Survey, Abstract Number 166, comprising portions of a 122.77 Acre Tract, a 77.24 Acre Tract, and a 514.98 Acre Tract, San Patricio County, Texas |
| Tract No. 2 | 2.73 Acres | 2.73 Acre Tract of Land, situated in the Archibald Herron Survey, Abstract Number 166, out of a 514.98 Acre Tract, being all of Lot 2, Odem Subdivision Unit 5, City of Sinton, San Patricio County, Texas |
| Tract No. 3 | 1.90 Acres | 1.90 Acre Tract of Land, situated in the Archibald Herron Survey, Abstract Number 166, out of a 514.98 Acre Tract, being all of Lot 3, Odem Subdivision Unit 5, Save and Except a 0.85 Acre Tract, as described in Transfer of Ownership of Note and Lien from J.L. Barth Company to C&C Management, Inc., recorded in Document Number 561549, City of Sinton, San Patricio County, Texas |
| Total/Combined | | |
| Total/Combined | 177.36 Acres | 177.36 Acre Tract of Land, situated in the John Henderson Survey, Abstract Number 156, and the Archibald Herron Survey, Abstract Number 166, comprising of portions of a 122.77 Acre Tract, a 77.24 Acre Tract, and a 514.98 Acre Tract, being all of Lots 2 and 3, Odem Subdivision Unit 5, Save and Except a 0.85 Acre Tract, as described in Transfer of Ownership of Note and Lien from J.L. Barth Company to C&C Management, Inc., recorded in Document Number 561549; Partially located within the City of Sinton, San Patricio County, Texas |

Current Listings/Contracts/Letters of Intent to Purchase

The subject property as a whole is not currently listed for sale; however, is under the process of being acquired by Wiley McIlwain of Somerset Land Company, LLC. A number of contracts/letters of intent to purchase for the subject property, as well as additional land along the corners of Highway 89 and Highway 181 (East Sinton Street), are currently in place and are detailed in the chart below. D.R. Horton is under contract to purchase 236 lots at a price of \$34,004 per lot, which was reported to be offered and accepted at a discounted rate, per the grantor (and represented by the purchaser). Additionally, D.R. Horton has agreed to purchase all additional 50-foot single-family residential lots in the PID as well as a right of first refusal with future phases of the development. An LOI with MKP has been tendered for all 80 foot lots in the development. LOIs (letters of intent) and contracts for several of the commercial and multi-family tracts are outlined in the following chart. Reportedly commercial Tracts 5 and 6 are under contract at pre-development concessionary pricing. No other contracts or sales of the subject property were disclosed to or discovered by the Appraisers. To the best of our knowledge, no other sale or transfer of ownership of the appraised property has occurred within the past five years.

| Subject Current Contracts/LOI's/Listings | | | | | | | |
|--|--------------------------------|-------------------------------------|---|-------------------|-----------------|-------------|---------------------|
| Type | Grantor | Grantee | Property | Property Type | Size | Price | Price per Ac/SF/Lot |
| Contract | Somerset Land Company | D.R. Horton - Corpus Christi, LLC | 236 Lots | Residential Lots | 236 Lots | \$8,024,944 | \$34,004 /Lot |
| Contract (Subject Whole Tract) | Eda Joan Odem Barrett, et. al. | Somerset Land Company | 33.33% interest in 100 ac; 50% interest in 80 ac | Undeveloped Land | % of 177.36 Ac. | \$1,466,600 | \$20,000 /Ac |
| Contract (Subject Whole Tract) | Grace Doyle, et. al. | Somerset Land Company | 25% interest in subject whole property as-is | Undeveloped Land | % of 177.36 Ac. | \$886,800 | \$20,000 /Ac |
| Contract | Somerset Land Company | Blue Water Resource Management, LLC | Multi-Family Tract adjacent to Sinton High School | Multi-Family Land | 18.05 Ac. | \$2,286,900 | \$2.91 /SF |
| Contract | Somerset Land Company | Shopping Center Interests, LLC | NW/C Hwy 89 and E. Sinton St. | Commercial Land | 15.00 Ac. | \$5,227,200 | \$8.00 /SF |
| Contract | Somerset Land Company | Torno Properties, LLC | Terminus of Tooter Newlin Dr. | Multi-Family Land | 9.98 Ac. | \$1,630,233 | \$3.75 /SF |
| LOI | Somerset Land Company | MKP Management | 55 Lots | Residential Lots | 55 Lots | \$2,530,000 | \$46,000 /Lot |
| LOI | Somerset Land Company | ZJZ Hospitality Inc | Undetermined | Commercial/ Hotel | 1.5-4.0 Ac. | N/A | N/A |

INTENDED USE AND USERS OF THE APPRAISAL

The intended use of this appraisal is for determining the market value of the above referenced property for Somerset/Sinton Public Improvement District Project purposes in connection with the upcoming issuance of special assessment revenue bonds by the City of Sinton. The intended user and client is The City of Sinton, Texas and related parties associated with the Somerset PID.

PROPERTY RIGHTS APPRAISED

We have appraised “as-is” the fee simple estate of the subject parent vacant land. We have also appraised the prospective market value of fee simple estate of the “As Proposed” development on an individual tract basis under the hypothetical condition that the commercial and residential lots are complete as of the date of value (as proposed).

The following definition is from the Dictionary of Real Estate Appraisal, Sixth Edition (2015), published by the Appraisal Institute.

Fee Simple Estate: Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

Additional appraisal definitions applicable to the analysis presented herein are presented in the Addenda.

RELEVANT DATES

The date of inspection of the subject property was July 21, 2021. The date of the report is August 12, 2021. The development is projected to take approximately one year. Relevant dates are summarized in the table on the following page.

| DATE OF VALUE SUMMARY | | |
|--|--------------------|----------------|
| Value Perspective | Interest Appraised | Date |
| Current Market Value (As Is) | Fee Simple | July 21, 2021 |
| Prospective Market Value (As Complete) | Fee Simple | August 1, 2022 |

DEFINITION OF MARKET VALUE

As defined by the Office of the Comptroller of the Currency under 13 CFR, Part 34, Sub-part C – Appraisals, 323.2 Definitions (g), market value is defined as:

“The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and,
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.”

This definition of market value is generally accepted by agencies regulating financial institutions in the United States.

SCOPE OF WORK

The scope of work refers to the type and extent of research and analyses employed in the appraisal assignment and presented in the appraisal report.

This appraisal is presented in the form of a real estate appraisal report, which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of USPAP. That is, this report incorporates a summary explanation of the data, reasoning and analysis that were used to develop the opinion of value.

The Extent to Which the Property was Identified

The subject is identified via legal description, aerial photograph, and physical description. The appraised tracts are identified throughout this report as “Tracts 1-10”. The individual tracts are detailed in the final site development plan provided to the appraisers and are outlined and detailed throughout this report.

The Extent to Which the Property was Inspected

The subject property was inspected and the surrounding area was driven by Franklin L. Flato, MAI and Hunter S. LaGrange, Appraiser Trainee, on July 21, 2021. The land size utilized in this report is per the site development plan and surveys provided.

The Type and Extent of Data Researched

We have physically observed the pertinent market with respect to the appraised property regarding physical and economic factors relevant to the valuation process through interviews with regional and/or local market participants, and available published data and other various resources. Our research included: exposure and marketing time; neighborhood and land use trends; demographic trends; market trends relative to the subject property type; flood zone status; zoning requirements and compliance; real estate tax data; and comparable listing and available sales data. All data utilized has been analyzed and confirmed with sources assumed to be reliable.

The Type and Extent of Analyses Applied

We analyzed the property and market data gathered through the use of accepted market-derived methods and procedures, employed the appropriate approaches to value, and correlated and reconciled the results into an estimate of market value, as defined within the appraisal report.

EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

Extraordinary Assumptions

Extraordinary assumptions are defined in the Uniform Standards of Professional Appraisal Practice as

“...an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser’s opinions or conclusions.”

Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. The use of extraordinary assumptions can have an effect on the concluded value(s) presented herein.

It is assumed that the acreage, number of lots, lot sizes and land sizes of the vacant land provided to the appraisers by the developer are correct (including Flato's estimates pertaining to partially incomplete plans provided related to portions of the single-family lot development). Any change in the number of acres, number of lots or lot sizes may have an impact on the conclusions of this report. It is also assumed that the proposed single-family lots will be completed in accordance with the land plans provided and will comply with the City of Sinton and San Patricio County development restrictions.

The public infrastructure improvements detailed in the PID and TIRZ documentation provided, assumed to be in your possession, including utility extensions, roadways, and drainage improvements associated with the single-family, commercial and multi-family tracts are assumed to be complete as of the projected as-complete date of value. It is also assumed that the proposed development is within a PID and TIRZ which will provide adequate roads, utilities and infra-structure as well as entry enhancement to support the proposed development. Per the developer, the proposed single-family residential lots and commercial tracts located within the current FEMA floodplain area will be elevated upon development and an LOMR revised floodplain map of the area will be created detailing the developed lots/tracts are above the base flood elevation (no longer subject to floodplain or related encumbrances). It is assumed that the developed

residential and commercial lots/tracts are located outside of the flood hazard area and are not subject to additional FEMA flood hazard restrictions.

It is additionally assumed, that the proposed residential lots and commercial and multi-family tracts has been approved by the City of Sinton. Should the proposed development plans change, the value conclusion "As Complete" is subject to revision. It is also assumed that all development will be completed in a workman like manner. Lastly, the costs provided regarding infrastructure and other related trunkline improvements are relied upon in this report; if the development costs measurably differ from the amounts provided, the final value conclusions are subject to revision. The use of extraordinary assumptions may affect the value conclusions.

It is also of note that the COVID-19 pandemic, which has impacted businesses throughout the world, occurred prior to inspection/valuation date and the impact, if any, has not been reflected in this valuation report. Flato Realty Advisors, LLC, cannot be held responsible for any impact on the value of the property which occurred post effective date of valuation, whether related to the COVID-19 pandemic or other market influence.

No further extraordinary assumptions are utilized. The use of extraordinary assumptions may affect the value conclusions.

Hypothetical Conditions

Hypothetical conditions are defined in the Uniform Standards of Professional Appraisal Practice as

"...that which is contrary to what exists but is supposed for the purpose of analysis."

Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in the analysis.

No hypothetical conditions were made in conjunction with this appraisal.

SIGNIFICANT APPRAISAL ASSISTANCE OR CONTRIBUTION

No other person provided real property assistance to the persons signing this report in the form of property inspection, research, or general report preparation.

EXPOSURE AND MARKETING TIME

Current appraisal guidelines require an estimate of a reasonable time period in which the subject property could be brought to market and sold. Exposure time precedes the date of value with the underlying premise being the time a property would have been on the market prior to the date of value, such that it would sell at its appraised value as of the date of value. On a prospective basis, the term used is marketing time. The exposure/marketing time is a function of price, time, and use. In estimating an appropriate exposure/marketing time for the subject property, we considered general market conditions, available sales data and interviews with market participants (exposure and marketing times).

As the single-family home building economy continues to improve and expand, it is anticipated that marketing times for residential lots will continue to decrease. Marketing times for residential properties within the Corpus Christi MSA have been steadily decreasing since January of 2020, where the average days to sell was 133, and was most recently 82 days during July of 2021 (statistics via Corpus Christi MLS). Days on market has generally decreased over 2021, falling from 110 days during January of 2021 to 85 days during July of 2021. Months of residential inventory has also generally decreased over 2021, falling from 1,271,171 units during January of 2021, to 902,606 units during July of 2021. Commercial and Industrial development within the Corpus Christi MSA has also experienced increased demand and lowered marketing times. Days on market for commercial/industrial properties in Corpus Christi MSA fallen from 454 days during January of 2021 to 187 days during July of 2021. It is noted that additional information regarding absorption rates, current market demand and market trends, residential and commercial property market analysis figures, etc. are included within the neighborhood and market analysis section of this report and provide additional support for the concluded exposure and marketing time detailed below.

Interest rates remain federally mandated at historically low levels and new home development velocity has continued to improve, most notably within areas immediately outside of city limits or along more major thoroughfares in more rural areas. The subject is a large development including proposed single-family residential lots and numerous parcels of vacant commercial and multifamily land, all located within a PID/TIRZ approved by the City of Sinton. Based on our analysis, we have concluded that an exposure/marketing time of twelve months would be considered reasonable for the subject property. This exposure/marketing time reflects typical current economic conditions, current real estate investment market conditions, the terms and availability of financing for real estate acquisitions, and property and market-specific factors. The concluded exposure and marketing time also takes into consideration surrounding development of the Sinton area, as well as continued development of major industrial projects in the nearby area and expansion of major thoroughfares in the area. It assumed that the subject property is (or has been) actively and professionally marketed. The exposure/marketing time would apply to all valuation premises included in this report.

REGIONAL ANALYSIS

The appraised property is located in the central portion of San Patricio County and in the northern sector of the Corpus Christi MSA, situated approximately 17.5 miles northwest of the downtown central business district of Corpus Christi. Details and analysis of the regional area is included on the following pages.



San Patricio County is on the lower Gulf Coast in the Coastal Prairies region, bordered on the north by Bee County, on the northeast by Refugio County, on the east by Aransas County, on the southeast by Nueces County and Corpus Christi Bay, and on the west by Jim Wells and Live Oak counties. San Patricio County currently covers 693 square miles of generally flat land with tall prairie grasses spotted by mesquite and live oak trees. The eastern portion of the county lies on the coastal plain, the western area of the county is surfaced by rolling caliche hills and soil that is well suited for field crops and grass production. The elevation in San Patricio County ranges from sea level to 200 feet. San Patricio County's position along the lower Gulf Coast in the Coastal Prairies Region consists of a subtropical climate with temperatures ranging from an average low of 46 degrees in January to an average high of 97 degrees in July with an average annual rainfall of 31 inches and an average growing season of 303 days (San Patricio Economic Development Corporation).

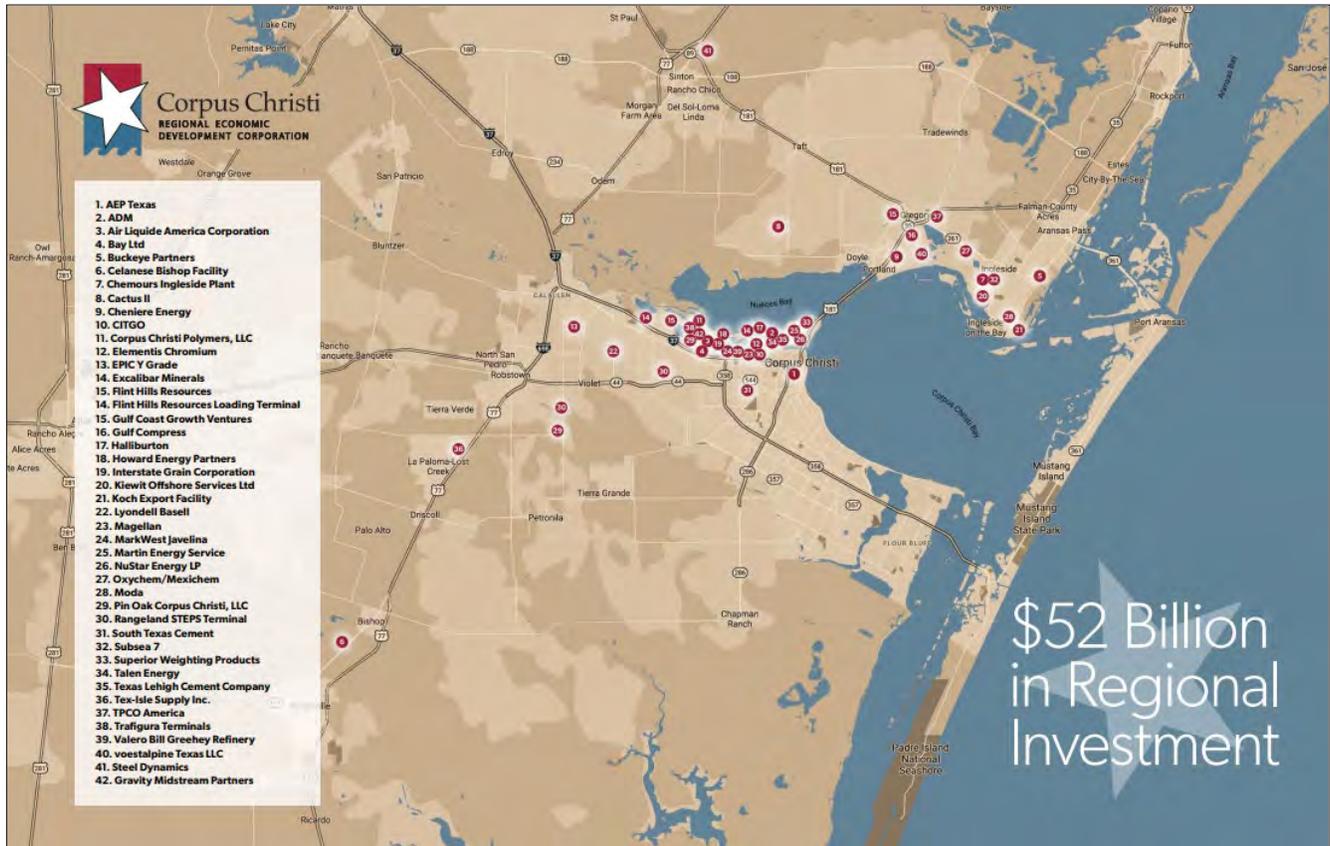
REGIONAL ANALYSIS

Sinton is located approximately 18 miles northwest of the LaQuinta Channel, approximately 15 miles north of the Corpus Christi Ship Channel, and approximately 23 miles northwest of the Intracoastal waterway. The coastal region consists of a number of water-oriented features which stimulate various industrial and large-scale commercial developments which spur additional short-term housing and residential community developments in the area. Highway 181 connects Sinton to Gregory, and further south to Portland and more north towards Aransas Pass and Rockport via the Highway 35 Bypass.

KEY NUECES AND SAN PATRICIO COUNTY INVESTMENTS

Recent and proposed key investments related to the Corpus Christi and San Patricio County areas (Coastal Bend) consist of the following (provided by the Port of Corpus Christi, Corpus Christi Regional Economic Development Corporation and the San Patricio Economic Development Corporation):

- Nueces River Rail Yard (\$45.8M rail project completed circa late 2016 which increased the Nueces River Rail Yard to eight, 8,000-foot-long unit train sidings and a total yard capacity of 15,400 feet and 223 rail cars)
- M&G Plant (\$1.3B invested to be the world's largest PET plant, which operated in the PET resin industry. M&G International is the largest producer of PET resin for packaging applications in the Americas)
- Tianjin Pipe Corporation – America (TPCO) (\$1.3B seamless pipe mill in Gregory represents the largest single investment by a Chinese company in a US manufacturing facility. The project employs 600-800 people).
- The Voestalpine Group (\$740M investment which began circa the end of 2015 to construct a facility on the La Quinta Channel which is proposed to employ 150 full time employees)
- Cheniere Energy Liquefaction Plant (\$13B investment into the liquefaction project encompassing over 1,000 acres with deep-water frontage along the La Quinta Ship Channel with operations commencing in 2020)
- Oxy Ingleside Energy Center, LLC (\$55M investment located on the former Naval Station at Ingleside; the property was purchased from the Port of Corpus Christi in 2012 for use as an LPG/LNG export plant utilizing the 1,100-foot pier and wharf constructed by the US Navy in 1992)
- OxyChem/MexiChem Ethylene (\$1B investment into an ethylene cracking plant along the LaQuinta Ship Channel completed circa 2017. The project produces 1.2 billion pounds of ethylene per year and employs approximately 375 people)
- Steel Dynamics (\$1.8B investment to develop approximately 900 acres with access to three Class I railroads and an estimated employment of 600 people in Sinton)
- Additional Industrial Developments (located on the remaining 1,600 acres of Steel Dynamics land and being divided into 12 parcels, properties are being leased for 99 years and are expected to employ approximately 3,000 working rotating 8-hour shifts, 24/7)
- ExxonMobil/SABIC GCGV (\$9.458B investment in Portland, in progress creating 6,000 jobs during construction and over 600 permanent jobs once development is complete)



MAJOR EMPLOYERS: San Patricio County (data provided by the San Patricio Economic Development Corporation)

- ExxonMobil/SABIC GCGV (6,000 employees during construction, 600+ permanent once complete; approximately 80% done as of 3Q2021)
- Kiewit Offshore Services (2,250 employees)
- Flint Hills Resources (1,000 employees)
- Gregory Portland ISD (729 employees)
- Gulf Coast Growth Ventures (670 employees)
- Steel Dynamics (600 employees (under development))
- TPCO (600 employees)
- San Patricio County (Headquarters – 541 employees)
- Oxy (375 employees)
- Cheniere (350 employees)
- Chemours (350 employees)
- Ingleside ISD (339 employees)
- Aransas Pass ISD (265 employees)
- Walmart (250 employees)
- JM Davidson, Inc. (180 employees)

LA QUINTA CHANNEL

The La Quinta Channel, located approximately 18 miles southeast of the subject, is operated by the Port of Corpus Christi, the fifth largest port in the United States in terms of tonnage traded. The channel was authorized by the Congress of the United States in 1968. The La Quinta Channel is utilized for cotton, petroleum and offshore oil servicing company uses, etc. The channel was deepened to 47 feet in 2014 and is 6.25 miles in length extending from the Corpus Christi Ship Channel to the south. The La Quinta Channel was extended 1.4 miles in 2013 and utilized DMPA No. 13 and 14 islands along the channel including new placement area Beneficial Use Site Area No. 6. The channel is planned to be deepened by 2 feet in the future and the Port of Corpus Christi is planning a terminal at the end of the La Quinta Channel. The property features direct access to Corpus Christi Bay via the Corpus Christi Ship Channel and the Gulf of Mexico.

Primary development activity in the area is concentrated along the La Quinta Channel to the southwest, which is a deep-water channel accessing the Corpus Christi Ship Channel to the east. Industrial development along the La Quinta Channel and the surrounding La Quinta Channel area includes:

- Gulf Compress Cotton Storage
- Martin Marietta Gregory Yard (Rail Yard)
- Voestalpine HPI Plant
- Cheniere LNG
- Subsea 7
- Kiewit Offshore Services
- Signet Maritime
- NRG Gregory Power Plant
- MODA Ingleside Energy Center (Tank Farm)
- Flint Hills Resources (Tank Farm)
- Buckeye Partners (Tank Farm)
- Bay, Ltd. (Offshore Fabrication along the intracoastal)
- Chemours/Occidental Chemical Corporation

Sherwin Alumina, one of the area's largest employers, ceased operations in 2016 after 62 years of producing alumina from bauxite. Around 450 employees were laid off when the company filed for bankruptcy. The site has been acquired by Cheniere.

CORPUS CHRISTI SHIP CHANNEL

The Corpus Christi Ship Channel is a deep-water channel, 47 feet in depth with access to the Gulf of Mexico across Corpus Christi Bay to the Port of Corpus Christi, with access to three Class I railroads (BNSF, KCS, and UP). The Port of Corpus Christi has long been petroleum-oriented, however, is also utilized for other trade such as sorghum and wheat. The first exports of Texas crude oil that were allowed after the U.S. lifted the ban on exporting crude oil left through the Port of Corpus Christi on December 31, 2015. The Port and Corpus Christi Ship Channel are currently in high demand for petroleum shipping export operation. Much of the land within the Port of Corpus Christi has been controlled by the Port of Corpus Christi Authority for a number of years with land either leased or sold to various port users. The Corpus Christi Ship Channel is currently under the process of being dredged to 54-foot depth, with plans to be dredged to 72 feet within the near future in order to accommodate VLCC crude carriers. Industrial operators along the Corpus Christi Ship Channel consist of Nustar Energy, LP, Gulf Stream Marine, Citgo Refinery, Magellan Midstream, Valero Refining, Pin Oak, Buckeye Terminal, Vulcan Materials Company, Flint Hills Resources, etc. The Corpus

Christi Ship Channel is currently being widened to 530 feet from Port Aransas to the Harbor Bridge, as well as being deepened from 47 feet to 54 feet.

The Port of Corpus Christi recently announced that a new tonnage record was recorded in the first half of 2021. The following information is located within a news release dated Monday, July 19, 2021, by the Port of Corpus Christi. The Port of Corpus Christi ended June 2021 with a new record quarter and a record first half of the year, moving nearly 80.5 million tons of cargo in the first six months of the year. The Port's first-half 2021 tonnage yielded a 4.7% increase over the same period in 2020, largely due to a 72% year over year increase in liquefied natural gas (LNG) exports, a 42% year-over-year increase in agricultural commodities, and a 3.6% increase in crude oil exports. Crude oil exports for the first half of 2021 averaged 1.58 million barrels per day, slightly above the 2020 full year run rate. Overall, nearly 43 million tons of cargo moved through the Port of Corpus Christi in the second quarter, a 2% increase from the prior quarterly record set in Q4-2020.

INTRACOASTAL CANAL

The intracoastal canal crosses the Corpus Christi Ship Channel at the La Quinta Channel along Ingleside and divides the mainland from Dagger Island, Ransom Island, Stedman Island, etc. The Lydia Ann Channel extends to the north from Harbor Island. The Lydia Ann Channel connects the Gulf of Mexico with Aransas Pass. The intracoastal waterway is 250 feet wide and 17 feet in draft depth and connects the entire southern and eastern coasts of the United States. The ICW allows most barges carrying containers and other cargo, as well as most sea-going fishing vessels, access to this waterway. Large, ocean-going container ships and oil carrying ships require a greater depth and cannot access this area. Therefore, most ship traffic is designed to accommodate, service and allow access to smaller ships and barges.

ADDITIONAL REGIONAL DEMAND

Additional regional residential and commercial activity is spurred by Port Aransas and Mustang Island. Port Aransas is located on the northern tip of Mustang Island, which connects to North Padre to the south. Padre Island, a long sand-barrier island extending some 130 miles along the coast of South Texas, has the longest sand beach in the United States. The Sigsbee Deep, the deepest part of the Gulf of Mexico, is situated off the central part of the island. It is an abyss 300 miles long, 100 miles wide, and 12,000 feet deep. More than 272 varieties of saltwater fish have been identified in the Sigsbee Deep. Port Aransas is the only established town on Mustang Island, which inhabits 5 miles of the 18-mile-long barrier island. Mustang Island State Park is located less than 5 miles north of the subject locations and features 5 miles of coastline.

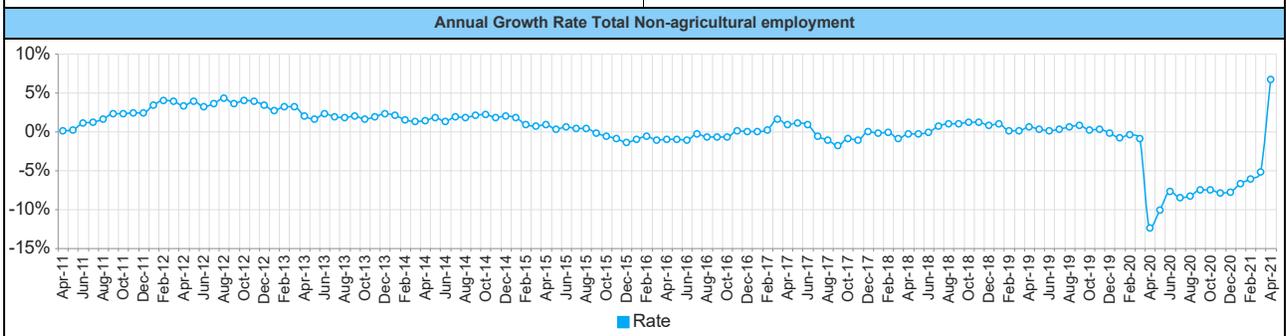
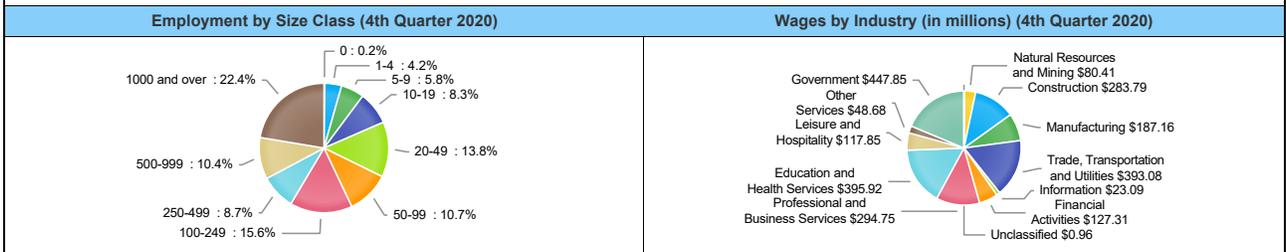
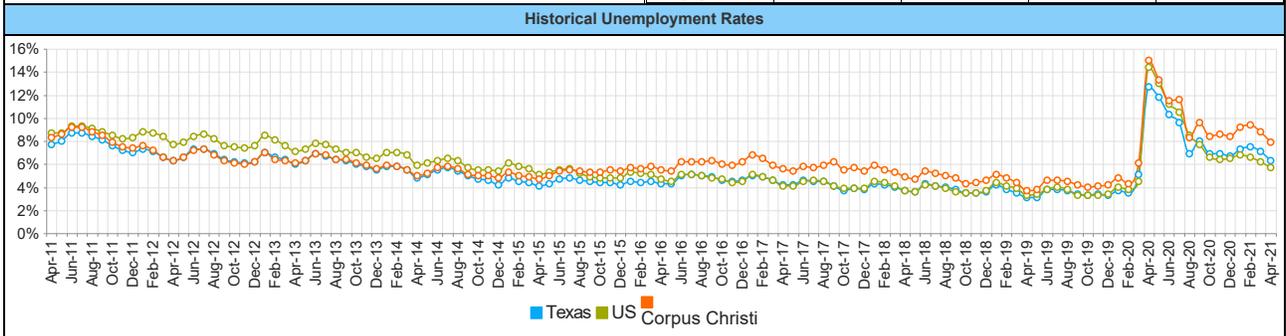
The Port Aransas area features a large number of seasonal residents and tourists each summer, and again as well in the winter months. Residents of northern states travel to the south Texas coastline for the winter months and are generally known as "Winter Texans." Winter Texans generally stay in RV park campgrounds, manufactured home communities tailored to seasonal guests, or other smaller single-family residential communities in proximity to the coastline. The influx of Winter Texans to the area supports the hospitality/tourism industry of Port Aransas, as well as the surrounding area of Corpus Christi, Mustang Island, Rockport and North Padre Island during the slower winter months, when south Texas residents are not typically visiting the area for vacation time. Tourism in the general area is spurred by the Port Aransas Beach (recreational activities and fishing) and a number of restaurants, retail developments, single-family residential development, condominium and multifamily development, Port Aransas Harbor and the Port Aransas Jetty. During the summer months, Aransas Pass, Port Aransas, Rockport/Fulton and Corpus Christi

receive many tourists from Texas residents, as well as out-of-state tourists looking to enjoy the area. The immediate area is also attractive to families, students, and other people who have increased time off school/work during the summer months for increased leisure time. The summer tourism months in the area are kickstarted by spring break, which occurs in mid-March, resulting in an influx of college-age people to the area, as well as young adults also out of work/school during that time and enjoying their first vacation break from the winter months. The area also entices a number of people from northern states who stay along the Texas Gulf Coast during winter months, known as “Winter Texans,” who return to the north during the spring/summer/fall months and return once northern freezing temperatures arrive. Winter Texans typically reside in RV Parks (brought down via gooseneck or tow-behind trailer), Mobile Home Parks (stationary and rented on a weekly, monthly, or yearly basis), or Mobile Home/Winter Texan Communities (communities that feature stationary manufactured housing to largely out-of-state residents who occupy the parks during the winter months and can have a number of individualized community restrictions such as age and vehicle traffic within the community (many restrict in-park vehicular transportation to electric golf-carts)).

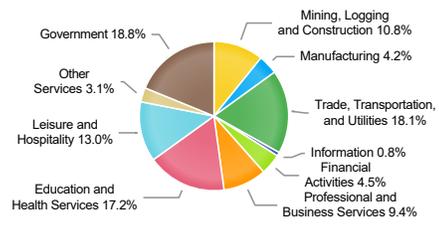
CONCLUSION

As discussed above, the subject’s regional market area of San Patricio County/Corpus Christi MSA is a highly desirable area sought out for its ICW, La Quinta Channel and Corpus Christi Ship Channel access for shipping, marine maintenance and storage capabilities with new large-scale industrial developments bringing in thousands of new workers into the area. The Corpus Christi and San Patricio County areas feature large and upscale commercial, industrial, infrastructure and water-oriented developments and renovations which have helped spur the ongoing development of the coastal bend region. Numerous large-scale industrial developments, some of which are the largest of their kind in the world, are under development in the San Patricio County region and support the need for additional supporting residential and commercial developments as a result of the large influx of a ‘round-the-clock’ labor workforce.

| Corpus Christi MSA | | April 2021 | | | | |
|--------------------|-----------|------------------------------|-------------|-------------|---------------|------------|
| | | MSA Labor Force Statistics | | | | |
| | | Apr-21 | Mar-21 | Apr-20 | Yearly Change | |
| | | Civilian Labor Force | 202,234 | 202,936 | 195,220 | 7,014 |
| | | Employed | 186,190 | 185,080 | 165,980 | 20,210 |
| Unemployed | 16,044 | 17,856 | 29,240 | -13,196 | | |
| Unemployment Rate | 7.9% | 8.8% | 15.0% | -7.1% | | |
| | | Texas Labor Force Statistics | | | | |
| | | Apr-21 | Mar-21 | Apr-20 | Yearly Change | |
| | | Civilian Labor Force | 14,043,919 | 14,094,131 | 13,326,311 | 717,608 |
| | | Employed | 13,162,609 | 13,087,177 | 11,627,585 | 1,535,024 |
| Unemployed | 881,310 | 1,006,954 | 1,698,726 | -817,416 | | |
| Unemployment Rate | 6.3% | 7.1% | 12.7% | -6.4% | | |
| | | US Labor Force Statistics | | | | |
| | | Apr-21 | Mar-21 | Apr-20 | Yearly Change | |
| | | Civilian Labor Force | 160,379,000 | 160,398,000 | 155,830,000 | 4,549,000 |
| | | Employed | 151,160,000 | 150,493,000 | 133,326,000 | 17,834,000 |
| Unemployed | 9,220,000 | 9,905,000 | 22,504,000 | -13,284,000 | | |
| Unemployment Rate | 5.7% | 6.2% | 14.4% | -8.7% | | |



| Industry | Current Month Employment | % Monthly Change | % Yearly Change |
|--------------------------------------|--------------------------|------------------|-----------------|
| Total Nonfarm | 182,100 | 0.2% | 6.7% |
| Mining, Logging and Construction | 19,700 | -1.5% | 2.6% |
| Manufacturing | 7,700 | -1.3% | -4.9% |
| Trade, Transportation, and Utilities | 33,000 | 0.0% | 9.6% |
| Information | 1,400 | 0.0% | 0.0% |
| Financial Activities | 8,200 | 0.0% | 2.5% |
| Professional and Business Services | 17,100 | -0.6% | 0.6% |
| Education and Health Services | 31,400 | 0.0% | 4.3% |
| Leisure and Hospitality | 23,700 | 2.6% | 40.2% |
| Other Services | 5,600 | 0.0% | 9.8% |
| Government | 34,300 | 0.6% | -1.2% |



NEIGHBORHOOD ANALYSIS

The map below identifies the location of the appraised property within the neighborhood.



Location

The appraised property is located along the northwest corner of Highway 89 and Highway 181, within the far eastern sector of Sinton, in north-central San Patricio County. Sinton is located approximately 15 miles northwest of Gregory and 17.5 miles northwest of Corpus Christi.

Access

The primary access to the neighborhood market area is via Highway 181 (also referred to as Highway 89) and Highway 77. Highway 181 extends northwest from Gregory through the eastern portion of Sinton and ends in southern San Antonio. Highway 181 is the primary thoroughfare connecting Sinton with the southeastern portion of San Patricio County and cities like Portland, Gregory, Ingleside, with Port Aransas and Rockport/Fulton also accessed via Highway 181 (and further with the Highway 35 Bypass). Highway 77 extends northeast from IH-37 through Odem and through the western sector of Sinton and continues northeast to Victoria. Secondary commercial thoroughfares in Sinton consist of Highway 181 (also called Highway 188 and East Sinton Street) and Business Highway 77. A number of more narrow roadways traverse through the more densely populated central/south central areas of Sinton. Access is considered to

be good for large mixed-use tracts in the general area, with accessibility along two well-travelled thoroughfares and above-average exposure along prominent roadways. Additionally, there will be proposed interior streets through the subdivision development, further improving accessibility and exposure to the subject tracts.

Current Local Area Land Use

The subject property is part of a designated public improvement district (PID) which will include single-family residential lot development and commercial/multifamily tract development. The surrounding land is primarily rural and undeveloped south, east and north of the subject location. Smaller roadside commercial development is prevalent along Highway 181 (East Sinton Street) consisting of Dollar General, Prosperity Bank, Dairy Queen, Sacred Heart Catholic Church, 5th Quarter Grill, JNS Bar & Grill, O'Reilly Auto Parts, Justice Label Distillery, Stripes/Valero, Pizza Hut, Exxon gas station, Valero corner store, Parker Lumber, etc. Larger commercial developments in Sinton consist of HEB, San Patricio County Jail/Sheriff's Department, Sinton High School, Welder Elementary School, San Patricio County Fairgrounds and Event Center, E. Merle Smith Middle School, San Patricio County Electric Cooperative, etc.

Nearby residential development is older in nature, largely occurring prior to the 1950's and 1960's and consists of various brick structures with asphalt shingle roofing, worn concrete and asphalt driveways and mature trees. Newer residential development is sparse, generally being completed circa early 2000's with more modest single-story homes around 2,000 to 3,000 square feet in size (Odem Subdivision located immediately southwest of the subject location).

Reportedly, the County of San Patricio is planning a new courthouse directly adjacent, to the west, of the Somerset Development. The courthouse is reportedly currently in the planning states. Additionally, HEB Grocery has indicated interest in developing a new grocery store just to the south.

Proposed Somerset Development Land Use

The proposed Somerset PID, 177.36 acre project is being developed by Somerset Land Company, Ltd. The PID will include construction of a number of asphalt paved, and concrete curbed interior roadways ranging from 45 feet in width to 80 feet in width with central medians and two-way accessibility. Each parcel will feature underground utility infrastructure to the border of the site, without onsite utility connections (common for tract development prior to vertical development). The residential area also features a greenspace/drainage area within the northern portion of the property. These improvements will be owned and operated by the city once completed.

The subject subdivision lots will have access to public streets within the development. The topography of the subject land is generally level with a suitable building area on each proposed lot. Per a topical investigation the appraised property, shape, utility service, land use restrictions, encumbrances and hazards do not appear to be restrictive to development of the property. Overall, the proposed lots are judged to be functionally adequate for single-family residential development. The proposed residential lots are judged to comprise a good quality development with home prices in the median range for the region. The proposed lots will largely consist of 50-foot and 80-foot lots (pertaining to front feet/site width), typically with 100-foot to 120-foot site depths.

A map outlining the proposed PID improvements as well as the current draft of the PID projected costs, reported as of the date of valuation, are included on the following pages.

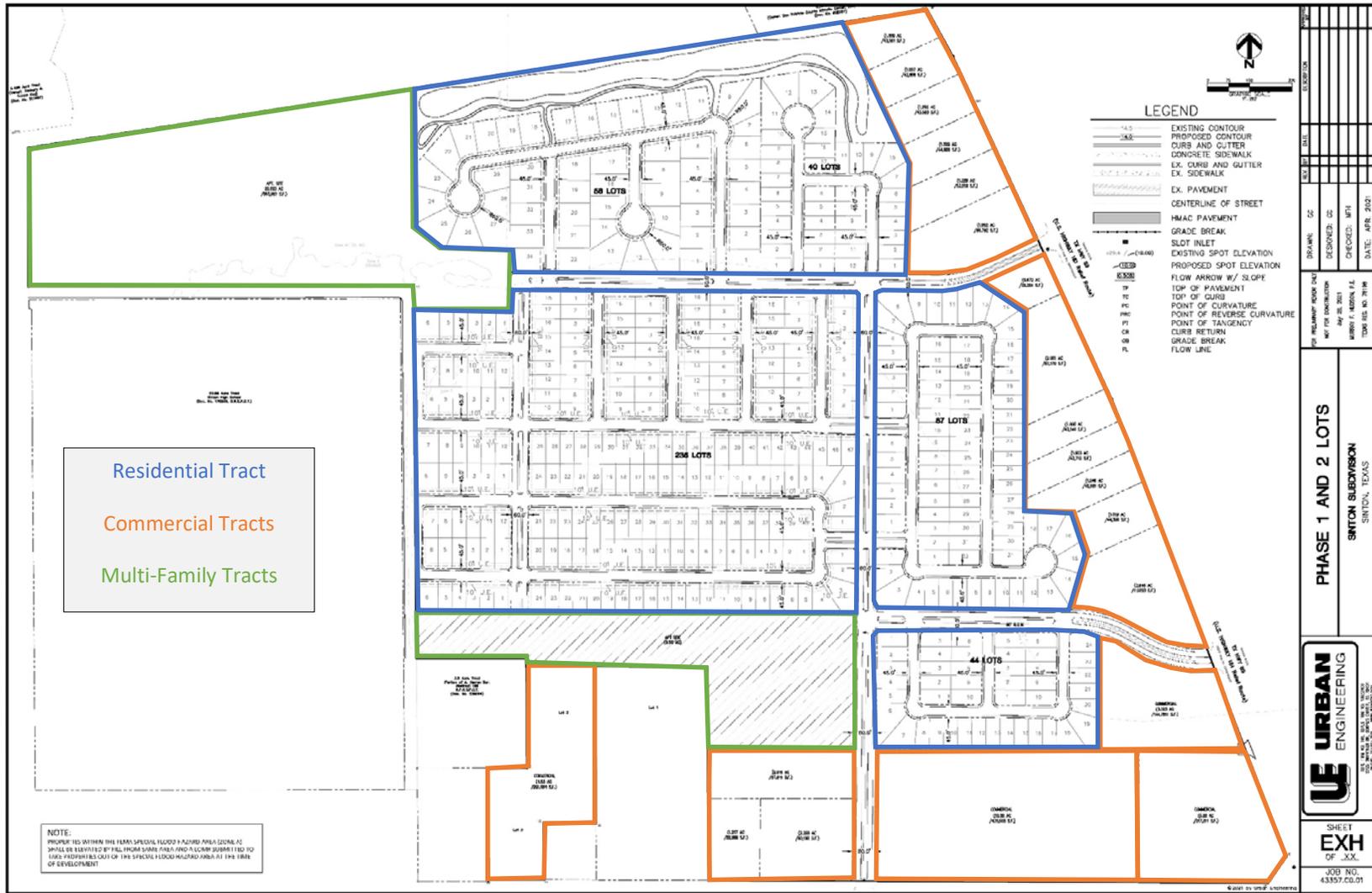


Table IV-A
Estimated Sources and Uses

| Sources of Funds^(a) | PID Bond | Reimbursable Developer Contribution^(b) | Total |
|---|---------------------|--|---------------------|
| Par Amount | \$13,330,000 | \$0 | \$13,330,000 |
| Assessment Amount | \$0 | \$17,675,000 | \$17,675,000 |
| Other Funding Sources ^(c) | \$0 | \$0 | \$0 |
| Total Sources | \$13,330,000 | \$17,675,000 | \$31,005,000 |
| Uses of Funds | | | |
| <i>Authorized Improvements^(d):</i> | | | |
| Roadway Improvements, Including Right-of-way | \$3,380,062 | \$6,176,852 | \$9,556,914 |
| Water Improvements | \$510,516 | \$932,937 | \$1,443,453 |
| Wastewater Improvements | \$872,121 | \$1,593,748 | \$2,465,869 |
| Storm Drainage Improvements | \$1,183,277 | \$2,162,364 | \$3,345,641 |
| Other Soft and Miscellaneous Costs | \$3,726,037 | \$6,809,100 | \$10,535,136 |
| <i>Subtotal</i> | <i>\$9,672,013</i> | <i>\$17,675,000</i> | <i>\$27,347,013</i> |
| <i>Bond Issuance Costs:</i> | | | |
| Debt Service Reserve Fund ^(e) | \$866,450 | \$0 | \$866,450 |
| Administrative Expenses | \$1,399,650 | \$0 | \$1,399,650 |
| Capitalized Interest ^(f) | \$941,988 | \$0 | \$941,988 |
| Cost of Issuance | \$50,000 | \$0 | \$50,000 |
| Underwriters Discount ^(g) | \$399,900 | \$0 | \$399,900 |
| <i>Subtotal</i> | <i>\$3,657,988</i> | <i>\$0</i> | <i>\$3,657,988</i> |
| Total Uses | \$13,330,000 | \$17,675,000 | \$31,005,000 |

Outlook and Conclusions

The subject areas of north/north-central San Patricio County and the Corpus Christi MSA are currently in an elevated growth stage, largely driven by large-scale industrial and commercial developments as well as water-oriented specialized developments located further east/south. The Sinton area features a somewhat limited demographic profile in comparison to other areas in the coastal bend region. The area is rated as follows:

| Surrounding Area Attribute Ratings | |
|-------------------------------------|---------------------------------|
| Category | Rating |
| Highway Access | Good |
| Demand Generators | Average; Developing |
| Convenience to Supporting Land Uses | Good |
| Employment Stability | Below-Average |
| Demographic Trends | Below-Average |
| Property Compatibility | Good |
| General Appearance of Properties | Average for similar communities |
| Appeal to Market | Good |
| Price/Value Trend | Above-Average |

The immediate subject area is in the growth stage of its life cycle; largely spurred by ongoing large-scale industrial developments within the immediate neighborhood market area, as well as the regional area. Population growth for Sinton is below average and average household earnings are slightly lower than other market areas in the region such as Corpus Christi, Portland, Ingleside, Rockport, etc. The area benefits from good transportation linkages, and positive population and employment growth trends largely spurred by the ongoing large-scale industrial developments within San Patricio County (Steel Dynamics, ExxonMobil, Cheniere, etc.). The subject's trade area is suburban and comprised of generally well-established single-family residential subdivisions with commercial uses along highway frontage parcels and multi-lane thoroughfares through the city. The outlook for the subject's local market area is positive with strong growth trends forecast to continue into the foreseeable future, largely dependent upon the industrial growth of the Steel Dynamics facility as well as surrounding industrial and large-scale commercial developments.

Demographics

The immediate subject area has reflected growth over the past 10-years that was generally slower than the metro area as well as the 10- and 15-mile radius. Future growth projections being made are more conservative compared to the metro area as a whole due to the lower population of Sinton, lack of supporting available jobs and commercial developments, lack of newer commercial development, large presence of contract labor, uncertainty regarding future employers and supporting developments, and presence of substitution in regards to prospective residents having options in residing within other smaller towns rather than Sinton with a relatively short drive to Sinton if working there. Although much of the subject market area is undeveloped with significant development plans being made, it is judged that the immediate market area will continue to grow at lower rates than the metro area as a whole in accordance with growth rates evidenced over the past 10-years. Average household income in the 5-, 10- and 15-mile radius is lower than the Corpus Christi metro area as a whole due to the fact that Corpus Christi has a much more diverse economy, economic variability, employment and housing availability and superior population rates

compared to the relatively small size of Sinton with more limited employment possibilities and more limited population compared to the Corpus Christi MSA. Figures within the Corpus Christi MSA represent the highest end of the spectrum, as Corpus Christi is generally superior to San Patricio County regarding populations, employment, household income, total households, restaurants/recreation/shopping, etc. The percentage of owner-occupied units is generally similar in the subject's 5-, 10- and 15-mile radius as well as within the Corpus Christi MSA. A demographic chart outlined and summarizing demographics for the subject 5-, 10-, and 15-mile radius as well as the Corpus Christi Metro Area as a whole is included on the following page.

DEMOGRAPHIC ANALYSIS

| | 5-Mile Radius | 10-Mile Radius | 15-Mile Radius | 2021 Corpus Christi CBSA |
|--|---------------|----------------|----------------|--------------------------|
| Population | | | | |
| 2026 Projection | 8,232 | 18,125 | 46,862 | 451,742 |
| 2021 Estimate | 8,059 | 17,693 | 45,245 | 431,022 |
| 2010 Census | 8,214 | 17,818 | 44,327 | 405,027 |
| 2000 Census | 8,300 | 18,784 | 44,071 | 380,783 |
| Percent Change: 2021 to 2026 | 2.15% | 2.44% | 3.57% | 4.81% |
| Percent Change: 2010 to 2021 | -1.89% | -0.70% | 2.07% | 6.42% |
| Percent Change: 2000 to 2010 | -1.04% | -5.14% | 0.58% | 6.37% |
| Households | | | | |
| 2026 Projection | 2,841 | 6,327 | 16,754 | 167,916 |
| 2021 Estimate | 2,763 | 6,120 | 16,085 | 159,422 |
| 2010 Census | 2,729 | 5,942 | 15,412 | 147,224 |
| 2000 Census | 2,678 | 5,976 | 14,582 | 132,459 |
| Percent Change: 2021 to 2026 | 2.82% | 3.38% | 4.16% | 5.33% |
| Percent Change: 2010 to 2021 | 1.25% | 3.00% | 4.37% | 8.29% |
| Percent Change: 2000 to 2010 | 1.90% | -0.57% | 5.69% | 11.15% |
| 2021 Est. Households by HH Income | | | | |
| Income < \$15,000 | 19.83% | 18.14% | 13.81% | 11.78% |
| Income \$15,000 - \$24,999 | 14.80% | 15.33% | 10.58% | 9.72% |
| Income \$25,000 - \$34,999 | 8.87% | 7.86% | 8.63% | 8.74% |
| Income \$35,000 - \$49,999 | 13.10% | 13.81% | 14.76% | 14.12% |
| Income \$50,000 - \$74,999 | 15.96% | 16.85% | 17.77% | 17.35% |
| Income \$75,000 - \$99,999 | 9.66% | 10.96% | 12.28% | 13.02% |
| Income \$100,000 - \$124,999 | 7.64% | 7.45% | 8.51% | 9.26% |
| Income \$125,000 - \$149,999 | 3.87% | 3.99% | 5.55% | 5.51% |
| Income \$150,000 - \$199,999 | 4.74% | 3.92% | 5.52% | 5.34% |
| Income \$200,000 - \$249,999 | 0.72% | 0.70% | 1.36% | 2.08% |
| Income \$250,000 - \$499,999 | 0.72% | 0.82% | 1.04% | 2.27% |
| Income \$500,000+ | 0.07% | 0.16% | 0.17% | 0.81% |
| Average Household Size | 2.82 | 2.85 | 2.79 | 2.66 |
| Median Household Income | \$42,233 | \$44,325 | \$52,610 | \$57,184 |
| Average Household Income | \$57,620 | \$58,727 | \$68,225 | \$78,068 |
| Renter-Occupied | 33.59% | 29.75% | 35.53% | 37.73% |
| Owner-Occupied | 66.41% | 70.25% | 64.47% | 62.27% |

Source: Environics Analytics

RESIDENTIAL MARKET ANALYSIS

The strength of any market depends on supply and demand. Supply and demand in this submarket directly affect the subject's value, as well as its potential exposure time and marketing period. As the subject is situated within the Corpus Christi MSA, we have included an overview of the San Patricio County single-family market.

Over the past few decades, the Corpus Christi region has experienced positive growth, most notably during the eagle ford shale play circa early to mid-2010's, as well as the legislative change to allow export of crude oil from the port of Corpus Christi. Corpus Christi growth has typically been spurred by large industrial and commercial developments employing hundreds to thousands of people, which help to grow the surrounding area and provide additional demand for commercial and residential development of the area.

The following data is provided by the Texas A&M Real Estate Center and the United States Census Bureau. Year to date figures refer to January through June of 2021, as June of 2021 represents the most recent monthly data figures available during the time of this appraisal. Therefore, comparison of year-to-date (YTD) figures take into account the changes in data during January through June of 2020 and compares to data from January through June of 2021.

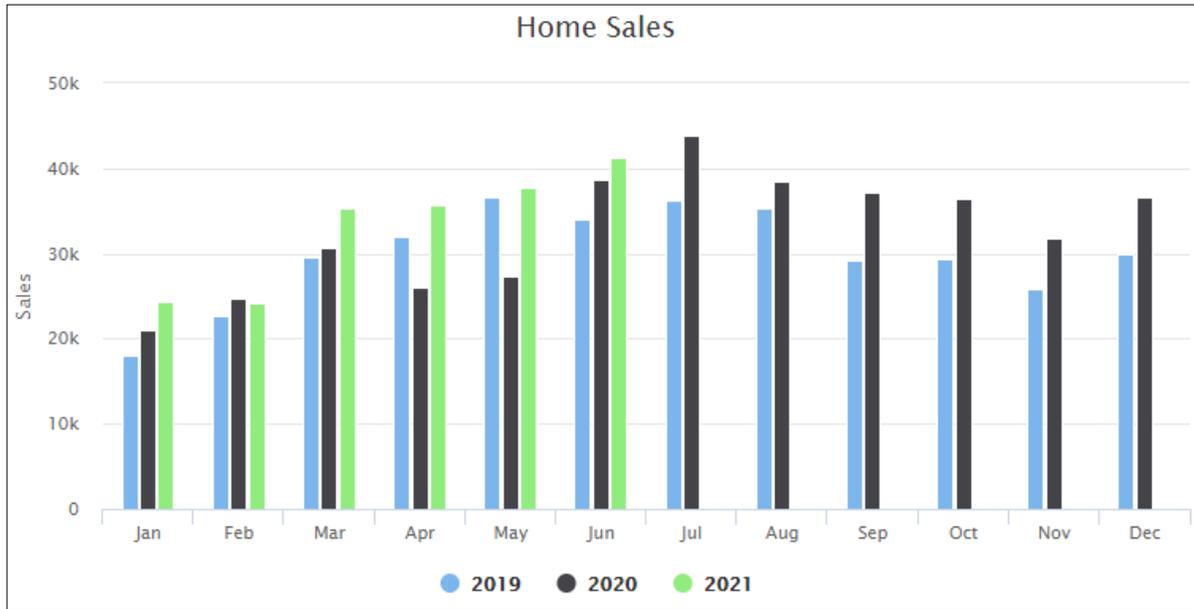
Single-family Market Overview – State

In 2020, Texas issued a total of 148,296 single-family building permits, with an average of 12,411 per month and average month over month percent change of 1.68%. Year to date figures for 2021 indicate that Texas issued a total of 89,901 single-family building permits, an average of 14,984 per month, and an average month over month percent change of 4.70%. Between 2012 and 2020, permit activity increased every year, and has increased year-to-date during 2021.



| State of Texas Building Permit Data - Single Family | | | | |
|--|----------------------------|---------------------------------|----------------------------------|--------------------------------|
| Date | Units | Percent Change | Value | Percent Change |
| Jan-20 | 11,212 | 28.00% | \$225,800 | 1.80% |
| Feb-20 | 11,314 | 26.10% | \$223,500 | -1.10% |
| Mar-20 | 11,984 | 13.10% | \$228,300 | 4.10% |
| Apr-20 | 9,395 | -12.20% | \$215,100 | -4.10% |
| May-20 | 9,713 | -11.00% | \$224,100 | 2.80% |
| Jun-20 | 12,032 | 20.60% | \$220,700 | 1.90% |
| Jul-20 | 14,216 | 33.50% | \$219,200 | 2.60% |
| Aug-20 | 14,167 | 23.80% | \$221,000 | 2.70% |
| Sep-20 | 13,808 | 35.30% | \$227,100 | 5.90% |
| Oct-20 | 14,302 | 25.30% | \$220,300 | 4.10% |
| Nov-20 | 12,298 | 33.70% | \$219,700 | 0.70% |
| Dec-20 | 14,485 | 55.00% | \$210,800 | -1.20% |
| 2020 Averages | 12,411 | 22.60% | \$221,300 | 1.68% |
| Jan-21 | 13,680 | 22.00% | \$233,500 | 3.40% |
| Feb-21 | 11,978 | 2.90% | \$230,500 | 3.10% |
| Mar-21 | 16,935 | 41.30% | \$231,700 | 1.50% |
| Apr-21 | 16,147 | 71.90% | \$232,500 | 8.10% |
| May-21 | 15,722 | 61.90% | \$232,500 | 3.70% |
| Jun-21 | 15,439 | 28.30% | \$239,200 | 8.40% |
| 2021 Averages (Jan.-June) | 14,984 | 38.05% | \$233,317 | 4.70% |
| 2020 Averages (Jan.-June) | 10,942 | 10.77% | \$222,917 | 0.90% |
| 2020-2021 Year over Year (Jan.- June) | Increase of 4,042 Units | Increase of 27.28% Change | Increase of \$10,400 Value | Increase of 3.80% Change |
| 2020-2021 Year over Year (Jan.- June) | 36.94% | 15.30% | 4.67% | 422.22% |

State of Texas home sale figures are included within the cart below, detailing monthly data figures for January through December of 2020 and January through June for 2021. Average price has increased by \$65,972 (from \$294,804 to \$360,776) year over year from January through June 2020 compared to January through June of 2021. Total listings have also decreased by 54.14% year-over year from 2020 to 2021 (YTD).



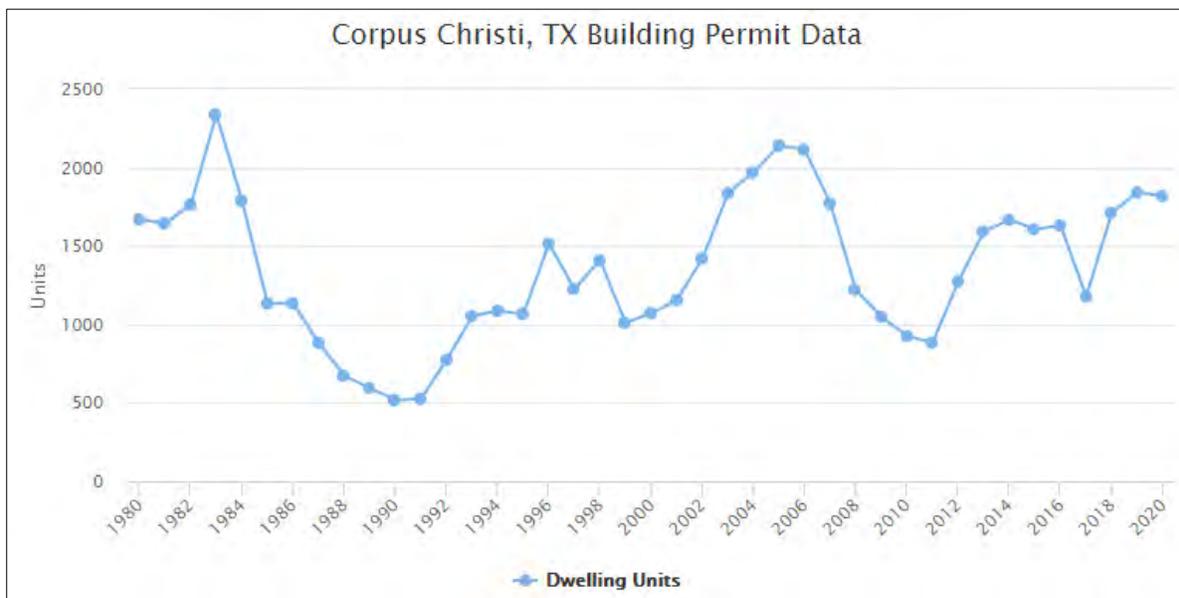
| State of Texas Home Sales | | | | | | |
|--------------------------------------|-------------------------|--|--|---|-----------------------------|----------------------------------|
| Date | Sales | Dollar Volume | Average Price | Median Price | Total Listings | Months Inventory |
| Jan-20 | 20,989 | \$5,833,791,448 | \$277,945 | \$232,500 | 91,233 | 3.0 |
| Feb-20 | 24,813 | \$7,246,587,907 | \$292,048 | \$243,500 | 91,448 | 3.0 |
| Mar-20 | 30,737 | \$9,169,769,954 | \$298,330 | \$248,000 | 92,448 | 3.0 |
| Apr-20 | 26,046 | \$7,688,221,219 | \$295,179 | \$249,000 | 93,577 | 3.1 |
| May-20 | 27,384 | \$8,028,791,142 | \$293,193 | \$248,500 | 90,396 | 3.1 |
| Jun-20 | 38,595 | \$12,046,653,429 | \$312,130 | \$259,900 | 84,775 | 2.9 |
| Jul-20 | 43,822 | \$14,368,313,350 | \$327,879 | \$268,000 | 81,725 | 2.7 |
| Aug-20 | 38,387 | \$12,515,946,401 | \$326,046 | \$265,000 | 75,601 | 2.5 |
| Sep-20 | 37,199 | \$12,100,990,504 | \$325,304 | \$265,000 | 71,673 | 2.3 |
| Oct-20 | 36,494 | \$12,060,248,208 | \$330,472 | \$268,000 | 69,128 | 2.2 |
| Nov-20 | 31,720 | \$10,545,692,401 | \$332,462 | \$269,000 | 63,330 | 2.0 |
| Dec-20 | 36,642 | \$12,375,140,442 | \$337,731 | \$270,000 | 55,510 | 1.7 |
| 2020 Averages | 32,736 | \$10,331,678,867 | \$312,393 | \$257,200 | 80,070 | 2.6 |
| Jan-21 | 24,339 | \$7,811,484,836 | \$320,945 | \$261,900 | 52,634 | 1.6 |
| Feb-21 | 24,105 | \$8,285,482,806 | \$343,725 | \$274,250 | 47,216 | 1.4 |
| Mar-21 | 35,323 | \$12,683,598,207 | \$359,075 | \$281,968 | 44,374 | 1.3 |
| Apr-21 | 35,738 | \$13,143,610,531 | \$367,777 | \$290,440 | 45,758 | 1.3 |
| May-21 | 37,702 | \$14,399,413,360 | \$381,927 | \$300,900 | 45,695 | 1.3 |
| Jun-21 | 41,332 | \$16,169,406,580 | \$391,208 | \$310,000 | 48,971 | 1.4 |
| 2021 Averages (Jan.-June) | 33,090 | \$12,082,166,053 | \$360,776 | \$286,576 | 47,441 | 1.4 |
| 2020 Averages (Jan.-June) | 28,094 | \$8,335,635,850 | \$294,804 | \$246,900 | 90,646 | 3.0 |
| 2020-2021 Year over Year (Jan.-June) | Increase of 4,996 Sales | Increase of \$3,746,530,204 in Dollar Volume | Increase of \$65,972 in Average Sale Price | Increase of \$39,676 in Median Sale Price | Decrease of 43,205 Listings | Decrease of 1.6 Months Inventory |
| 2020-2021 Year over Year (Jan.-June) | 17.78% | 44.95% | 22.38% | 16.07% | -47.66% | -54.14% |

As detailed in the chart above, the State of Texas saw an increase in home sales year-over-year, a substantial increase in sales dollar volume, an increase in average and median sales prices, a decrease of total listings and a decrease in months inventory. Each of these figures support indication that the housing market is in an expansion phase and is increasing rather rapidly.

The strength of any market depends on supply and demand. Supply and demand in this submarket directly affect the subject's value, as well as its potential exposure time and marketing period. As the subject is situated within the Corpus Christi MSA, we have included an overview of the Corpus Christi single-family market followed by an overview of the subject immediate market area in north/north central San Patricio County.

Single-family Market Overview –Corpus Christi MSA

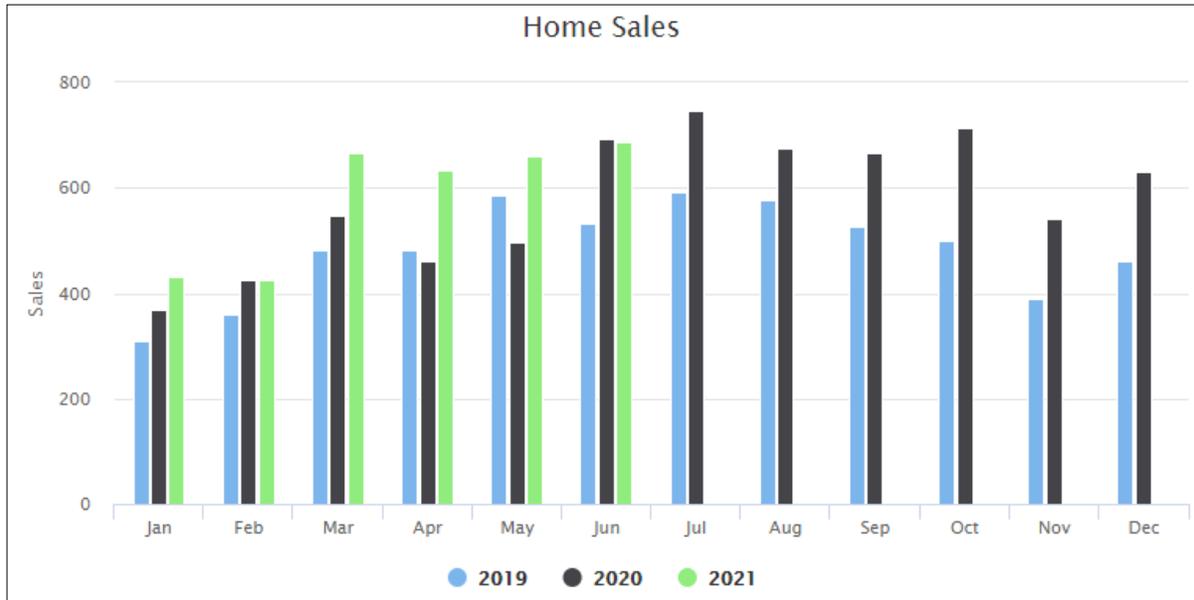
Single-family permit activity declined drastically in 2006 and continued to decline until 2011. Most recently, single-family building permits have increased from 2018-2019 and slightly decreased during 2020, before increasing once more during 2021. The Corpus Christi MSA averaged 118 single-family building permits per month during 2020; 2021 year-to-date figures indicate that the average monthly rate has increased to 139 single-family building permits per month.



| Corpus Christi MSA Building Permit Data - Single Family | | | | |
|--|----------------------|-----------------------------------|---------------------------|-------------------------------------|
| Date | Units | Percent Change | Value | Percent Change |
| Jan-20 | 121 | 16.30% | \$229,300 | 18.60% |
| Feb-20 | 106 | 21.80% | \$230,400 | 31.80% |
| Mar-20 | 107 | 4.90% | \$227,500 | 23.90% |
| Apr-20 | 75 | -35.90% | \$225,900 | 26.20% |
| May-20 | 80 | -16.70% | \$226,400 | 31.20% |
| Jun-20 | 99 | 7.60% | \$227,000 | 35.80% |
| Jul-20 | 114 | -8.80% | \$225,900 | 24.60% |
| Aug-20 | 100 | -15.30% | \$227,000 | 27.20% |
| Sep-20 | 125 | 23.80% | \$226,700 | 27.30% |
| Oct-20 | 168 | 35.50% | \$215,000 | 19.30% |
| Nov-20 | 141 | 45.40% | \$227,300 | 26.90% |
| Dec-20 | 176 | 79.60% | \$228,600 | 27.60% |
| 2020 Averages | 118 | 13.18% | \$226,417 | 26.70% |
| Jan-21 | 142 | 17.40% | \$219,400 | -4.30% |
| Feb-21 | 77 | -27.40% | \$230,200 | -0.10% |
| Mar-21 | 185 | 72.90% | \$233,800 | 2.80% |
| Apr-21 | 147 | 96.00% | \$232,600 | 3.00% |
| May-21 | 135 | 68.80% | \$230,900 | 2.00% |
| Jun-21 | 145 | 46.50% | \$230,600 | 1.60% |
| 2021 Averages (Jan.-June) | 139 | 45.70% | \$229,583 | 0.83% |
| 2020 Averages (Jan.-June) | 98 | -0.33% | \$227,750 | 27.92% |
| 2020-2021 Year over Year (Jan.-June) | Increase of 41 Units | Increase of 46.03% Percent Change | Increase of \$1,833 Value | Decrease of (27.08%) Percent Change |
| 2020-2021 Year over Year (Jan.-June) | 41.33% | 38.48% | 0.80% | -97.01% |

The average number of permits has increased by 41.33% year over year from 2020 to 2021 (YTD). The increase reflects an increase in demand for residential housing units to be developed, as well as an increase in value year over year.

Corpus Christi MSA home sale figures are included within the chart below, detailing monthly data figures for January through December of 2020 and January through June for 2021. Average price has increased by \$64,148 (from \$244,438 to \$308,586) year over year from January through June 2020 compared to January through June of 2021 (slightly below the State of Texas figures). Total listings have also decreased by 55.04% year-over year from 2020 to 2021 (YTD), which is slightly above the State of Texas figure.



| Corpus Christi MSA Home Sales | | | | | | |
|--------------------------------------|----------------------|---|--|--|------------------------------------|-----------------------------------|
| Date | Sales | Dollar Volume | Average Price | Median Price | Total Listings | Months Inventory |
| Jan-20 | 369 | \$83,493,143 | \$226,269 | \$195,000 | 2,255 | 4.6 |
| Feb-20 | 425 | \$101,402,849 | \$238,595 | \$210,000 | 2,273 | 4.6 |
| Mar-20 | 546 | \$132,809,193 | \$243,240 | \$213,750 | 2,245 | 4.5 |
| Apr-20 | 460 | \$113,014,193 | \$245,683 | \$208,500 | 2,169 | 4.4 |
| May-20 | 498 | \$123,527,806 | \$248,048 | \$216,500 | 2,017 | 4.1 |
| Jun-20 | 693 | \$183,500,198 | \$264,791 | \$225,000 | 1,813 | 3.6 |
| Jul-20 | 747 | \$215,493,231 | \$288,478 | \$240,000 | 1,670 | 3.2 |
| Aug-20 | 675 | \$194,871,235 | \$288,698 | \$239,000 | 1,608 | 3.1 |
| Sep-20 | 667 | \$189,456,393 | \$284,043 | \$239,600 | 1,554 | 2.9 |
| Oct-20 | 713 | \$198,538,285 | \$278,455 | \$227,000 | 1,512 | 2.7 |
| Nov-20 | 542 | \$160,094,133 | \$295,377 | \$242,750 | 1,438 | 2.5 |
| Dec-20 | 629 | \$179,059,007 | \$284,673 | \$243,500 | 1,309 | 2.3 |
| 2020 Averages | 580 | \$156,271,639 | \$265,529 | \$225,050 | 1,822 | 3.5 |
| Jan-21 | 432 | \$120,713,073 | \$279,428 | \$231,500 | 1,334 | 2.3 |
| Feb-21 | 426 | \$132,948,733 | \$312,086 | \$248,500 | 1,176 | 2.0 |
| Mar-21 | 667 | \$204,598,138 | \$306,744 | \$257,500 | 1,164 | 2.0 |
| Apr-21 | 634 | \$202,911,124 | \$320,049 | \$253,900 | 1,096 | 1.8 |
| May-21 | 661 | \$195,592,855 | \$295,904 | \$250,000 | 1,038 | 1.7 |
| Jun-21 | 686 | \$231,390,775 | \$337,304 | \$268,950 | 1,116 | 1.8 |
| 2021 Averages (Jan.-June) | 584 | \$181,359,116 | \$308,586 | \$251,725 | 1,154 | 1.9 |
| 2020 Averages (Jan.-June) | 499 | \$122,957,897 | \$244,438 | \$211,458 | 2,129 | 4.3 |
| 2020-2021 Year over Year (Jan.-June) | Increase of 85 Sales | Increase of \$58,401,219 in Dollar Volume | Increase of \$64,148 in Average Sale Price | Increase of \$40,267 in Median Home Sale Price | Decrease of 975 Available Listings | Decrease of 2.37 Months Inventory |
| 2020-2021 Year over Year (Jan.-June) | 17.22% | 47.50% | 26.24% | 19.04% | -45.79% | -55.04% |

As detailed in the chart above, the Corpus Christi MSA saw an increase in total sales, total dollar volume of sale, increase of average and median sale prices, and substantial decreases in available listings and months inventory. Compared to the State of Texas Data, the Corpus Christi MSA is generally in line with the sale increase percentage, slightly above the State average in percentage increase in dollar volume, above the State average in percentage increase in average sale and median price, and below the State average percentages for listings and months inventory considering year over year data from 2020 to 2021 (YTD).

The single-family housing inventory of San Patricio County is detailed by Federal Reserve Economic Data (FRED) and is shown below in a chart detailing increases/decreases since January of 2018. Monthly data figures for the complete year 2020, and year to date 2021 (January through June) are included in the subsequent data chart.

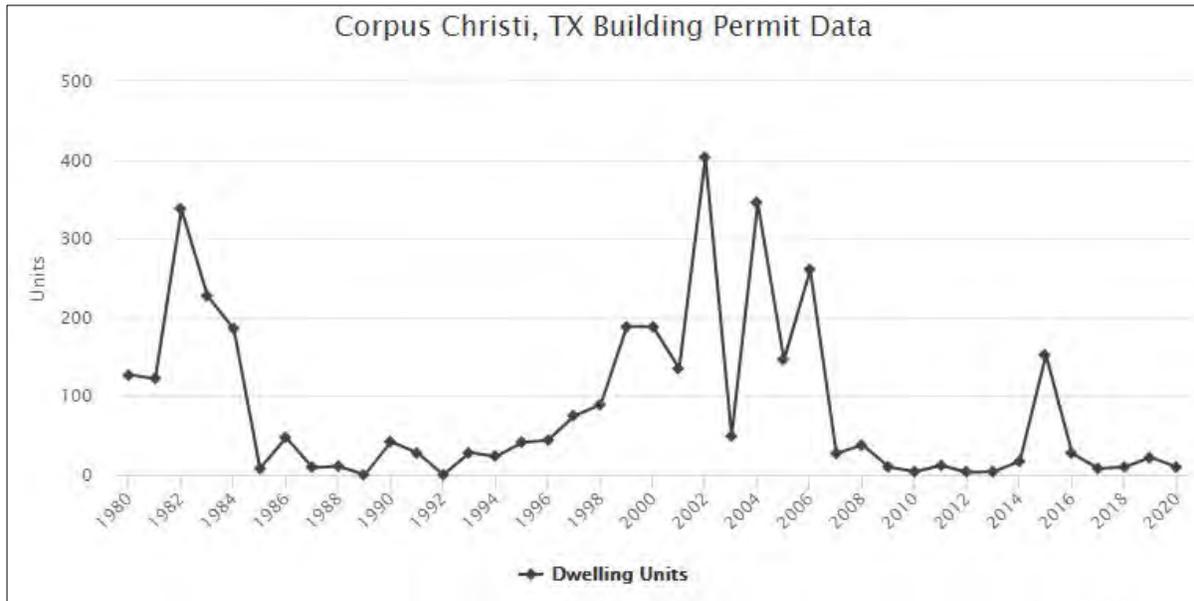


Housing Inventory - Listing Count: San Patricio County

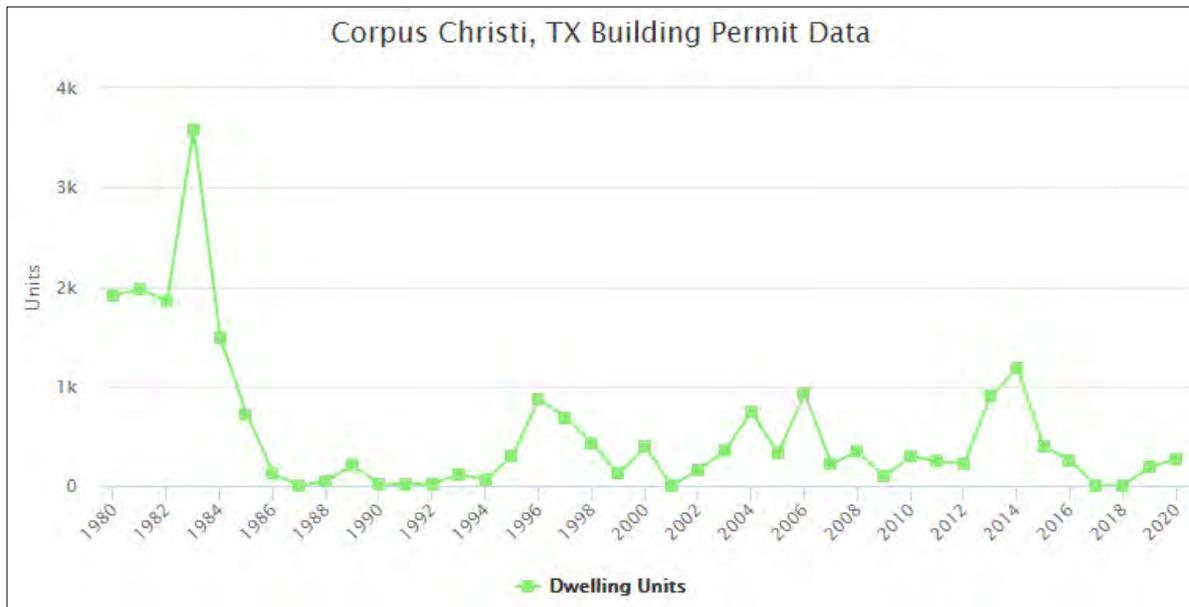
| Date | Amount |
|-----------------------------------|---------|
| Jan-20 | 473 |
| Feb-20 | 505 |
| Mar-20 | 526 |
| Apr-20 | 504 |
| May-20 | 485 |
| Jun-20 | 492 |
| Jul-20 | 481 |
| Aug-20 | 462 |
| Sep-20 | 495 |
| Oct-20 | 484 |
| Nov-20 | 466 |
| Dec-20 | 434 |
| Jan-21 | 393 |
| Feb-21 | 389 |
| Mar-21 | 372 |
| Apr-21 | 404 |
| May-21 | 390 |
| Jun-21 | 389 |
| 2020 Average | 484 |
| 2020 Avg. (Jan.-June) | 498 |
| 2021 Avg. (Jan.-June) | 390 |
| Change Year over Year (Jan.-June) | -21.71% |

Multi-Family Family Market Overview –Corpus Christi MSA

Multi-Family building permits for 2-to-4-unit developments have fluctuated over the last several years, generally staying within the 10-to-22-unit range since 2018. Multi-Family developments for 5+ families have substantially increased each year from 2017, including a 39.06% increase from 2019 to 2020. The charts below consider data for 2-to-4-unit developments and 5+ family multi-family developments.



| Corpus Christi MSA Building Permit Data - 2-4 Family | | | | |
|--|---------|----------------|-----------|----------------|
| Date | Units | Percent Change | Value | Percent Change |
| 2014 | 17 | 325.00% | \$81,500 | 119.10% |
| 2015 | 152 | 794.10% | \$105,700 | 29.70% |
| 2016 | 27 | -82.20% | \$136,900 | 29.50% |
| 2017 | 8 | -70.40% | \$60,900 | -55.50% |
| 2018 | 10 | 25.00% | \$125,900 | 106.70% |
| 2019 | 22 | 120.00% | \$120,000 | -4.70% |
| 2020 | 10 | -54.50% | \$80,700 | -32.80% |
| 7 Year Avg. | 35 | 151.00% | \$101,657 | 27.43% |
| 2019-2020 | | | | |
| Year over | -54.55% | -145.42% | -32.75% | 597.87% |
| Year (%) | | | | |



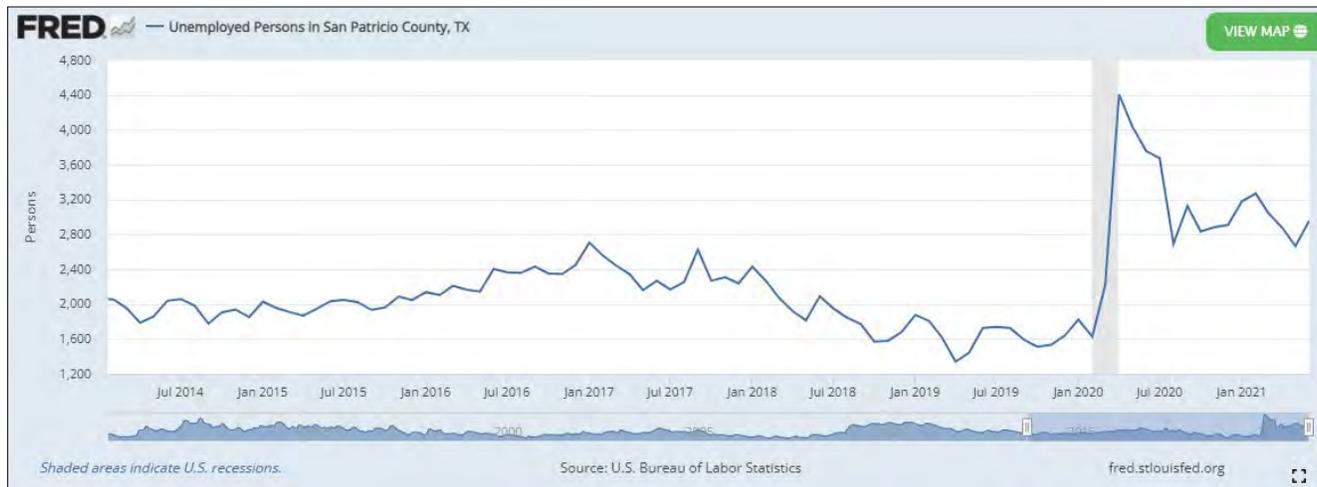
| Corpus Christi MSA Building Permit Data - 5+ Family | | | | |
|---|--------|----------------|-----------|----------------|
| Date | Units | Percent Change | Value | Percent Change |
| 2014 | 1180 | 31.10% | \$77,700 | 61.90% |
| 2015 | 394 | -66.60% | \$78,200 | 0.60% |
| 2016 | 252 | -36.00% | \$106,700 | 36.40% |
| 2017 | 0 | -100.00% | \$0 | -100.00% |
| 2018 | 6 | 0.00% | \$39,100 | 0.00% |
| 2019 | 192 | 3100.00% | \$113,500 | 190.30% |
| 2020 | 267 | 39.10% | \$83,100 | -26.80% |
| 7 Year Avg. | 327 | 423.94% | \$71,186 | 23.20% |
| 2019-2020 | | | | |
| Year over | 39.06% | -98.74% | -26.78% | -114.08% |
| Year (%) | | | | |

Economic Data – Employed/Unemployed Persons San Patricio County

The United States Census Bureau of Labor Statistics provides the following data pertaining to employed and unemployed persons within San Patricio County. The charts included below denote the monthly changes in employed and unemployed persons, 2020-year average, 2020 average from January through June 2021 average from January through June, and change year over year from January through June 2020 to 2021. The data is summarized below.



| Employed Persons - San Patricio County | |
|--|--------|
| Date | Amount |
| Jan-20 | 27,737 |
| Feb-20 | 28,065 |
| Mar-20 | 27,168 |
| Apr-20 | 23,754 |
| May-20 | 24,468 |
| Jun-20 | 25,984 |
| Jul-20 | 25,763 |
| Aug-20 | 26,650 |
| Sep-20 | 26,042 |
| Oct-20 | 26,607 |
| Nov-20 | 26,174 |
| Dec-20 | 26,265 |
| Jan-21 | 25,914 |
| Feb-21 | 26,217 |
| Mar-21 | 26,460 |
| Apr-21 | 26,576 |
| May-21 | 26,654 |
| Jun-21 | 26,490 |
| 2020 Average | 26,223 |
| 2020 Avg. (Jan.-June) | 26,196 |
| 2021 Avg. (Jan.-June) | 26,385 |
| Change Year over Year (Jan.-June) | 0.72% |



Unemployed Persons - San Patricio County

| Date | Amount |
|-----------------------------------|--------|
| Jan-20 | 1,822 |
| Feb-20 | 1,626 |
| Mar-20 | 2,216 |
| Apr-20 | 4,407 |
| May-20 | 4,035 |
| Jun-20 | 3,755 |
| Jul-20 | 3,672 |
| Aug-20 | 2,693 |
| Sep-20 | 3,125 |
| Oct-20 | 2,833 |
| Nov-20 | 2,883 |
| Dec-20 | 2,909 |
| Jan-21 | 3,178 |
| Feb-21 | 3,268 |
| Mar-21 | 3,047 |
| Apr-21 | 2,879 |
| May-21 | 2,666 |
| Jun-21 | 2,957 |
| 2020 Average | 2,998 |
| 2020 Avg. (Jan.-June) | 2,977 |
| 2021 Avg. (Jan.-June) | 2,999 |
| Change Year over Year (Jan.-June) | 0.75% |

Competitive Market Overview – Corpus Christi MSA

The single-family lots for Somerset PID include 462 proposed single-family residential lots ranging from 50 to 80 front feet and averaging 6,382 square feet. The lots will be sold to area and national homebuilders under bulk takedown contracts.

A total of 236 50-foot/80-foot lots are currently under contract to DR Horton as of the date of appraisal under a bulk lot takedown contract for \$34,004 per lot. The contract specifies that 50 lots will be initially purchased at closing, with the buyer purchasing an additional 13 lots within 90 days of initial closing and during each 90-day period thereafter. The contract price on a per lot basis was noted to be below-market by the grantor and grantee due, primarily to the PID development benefit, which is intended to be “passed-on to the homebuyers). DR Horton has additionally verbally agreed to purchase all 50-foot lots.

Additionally, there is a letter of intent for MKP Management to purchase 55 lots (80-foot lots) for a price of \$46,000 per lot, or approximately \$2,530,000 in a single transaction.

Annual lot closings among the comparables for all lot types range from 18 to 236 with an average of 83 lots per subdivision per annum (including the subject DR Horton contract which is in progress and has not yet closed).

Within the Somerset PID/TIRZ development, there will be a proposed supply of approximately 462 lots, ranging from 50 to 80 front feet and range in depth typically ranging from 110 to 120 feet (with irregular lots to extend to a maximum depth of 137.5 feet). It is judged that the marketing of these lots will be successful based on the extremely limited number of recently constructed homes within the surrounding market area over the past several years, as well as considerably low total available home listings and extremely low supply of buildable lots within the Sinton area enhanced by the Steel Dynamics plant located across Hwy 181 from the subject. The success of these comparable subdivisions and the favorable single-family residential market indicates that marketing of the subject proposed lots should occur at a relatively strong rate until sold out. Additionally, the upward pressure for undeveloped land in proximity to smaller towns/cities for residential development further indicates the elevated demand levels for residential lot development (for example three subdivisions are proposed to be developed on the outskirts of Portland, west of city limits along Land Road (recently closed 199.36 ac. tract), CR 79 (under contract approximately 200 ac. residential development to be closed in parts over the next two years) and CR 3685 (David Estates, in development)). The success of the subject lot sellout is largely spurred by industrial growth of the surrounding area, as limited growth has occurred in Sinton over the past several years.

The subject location is faced with an unusual predicament regarding location, in terms of being closely located to a developing large industrial project (Steel Dynamics) reportedly planned to employ over 3,700 including providers, when complete. It is noted that there are currently limited options for new single-family homes and adequate nearby recreational developments, commercial/retail developments, restaurants, etc. in the city of Sinton. While the current lack of supporting development in Sinton could potentially drive new local area employees to search for housing in Gregory, Portland, Rockport or Aransas Pass, where development is more prevalent considering grocery stores, retail shopping and service developments, restaurants, recreational activities, etc., rather than live close to work, it is likely that Sinton will experience

increased commercial growth with the development of additional residential lots/housing and the completion of the Steel Dynamics industrial development, along with ongoing industrial development in eastern Sinton.

The comparable lot absorption analyzed above is shown in the chart on the following page.

| DETACHED HOME PRODUCT | | | | LOT PRICING | | |
|--------------------------|---------------------------------|----------------------|-----------------------|--|-------------------------|-----------------------------------|
| Subdivision / Comp No. | Existing Lots | Lots Sold per Year | Remaining Lots Avail. | Avg. Lot Size (FF) Avg. Lot Pricing | Home Price Range (Est.) | Avg. Base Price Lot % of Price |
| Somerset Subdivision | 462 Lots | 236 Lots U/C 2021 | 226 Lots | 50 FF | \$185,000 to | \$205,000 |
| Proposed | | | | \$34,004 / Lot | \$225,000 | 16.6% |
| 1. Saratoga Downs Unit 3 | Ongoing Development 116 Lots | 45 Lots 2021 | 71 Lots | 52 FF | \$200,000 to | \$250,000 |
| | | | | \$42,833 / Lot | \$300,000 | 17.1% |
| 2. David Estates Unit 2 | 53 Lots | 35 Lots 2021 | 18 Lots | 65 FF | \$275,000 to | \$325,000 |
| | | | | \$55,000 / Lot | \$375,000 | 16.9% |
| 3. David Estates Unit 5 | 46 Lots | 17 Lots 2021 | 29 Lots | 70 FF | \$300,000 to | \$350,000 |
| | | | | \$65,000 / Lot | \$400,000 | 18.6% |
| Total | | | 344 Lots | | | |
| Minimum | 46 Lots | 17 Lots | 18 Lots | 40 FF | \$185,000 | 16.6% |
| Average | 187 Lots | 83 Lots | 86 Lots | 50 FF | \$282,500 | 17.3% |
| Maximum | 462 Lots | 236 Lots | 226 Lots | 60 FF | \$400,000 | 18.6% |

Qualifying Potential

Qualifying potential was also considered in ascertaining effective demand for the subject single-family development. Using several of the most comparable subdivisions as a basis to estimate the price range of homes in the Corpus Christi MSA, as well as 5-, 10-, and 15-mile radius of the subject location, it is estimated that the average home price will range from \$175,000 to \$250,000. The required annual household income needed to qualify for a conventional 30-year 3.520% fixed mortgage was determined using a 90% loan-to-value ratio, a 2.959% factor for property taxes (including 0.20% for insurance). A mortgage-debt ratio of 27.5% of annual income (assuming some level of consumer debt, on average). Per these assumptions, the annual household income required to qualify for the subject home is as follows:

| Qualifying Purchasers | | | |
|-----------------------|--------------|-------------|------------------|
| Home Price | 90% Mortgage | Annual PITI | Indicated Income |
| \$175,000 | \$157,500 | \$13,661 | \$49,676 |
| to | | | 27.5% |
| \$250,000 | \$225,000 | \$19,516 | \$70,966 |

The range of household income requirements is indicative of middle-income level housing. For this analysis, the qualifying household income levels in the range of \$50,000 to \$100,000 per annum for the 15-mile radius were utilized as they are more similar to the income levels of the target market for the subject project and as most of the directly competing subdivisions are located in this area. As evidenced by absorption of similar products in the submarket and the qualifying analysis, there are a reasonable number of prospective buyers having sufficient purchasing power for housing in this price range. Approximately 43.38% of the population within a 5-mile radius generates an income in excess of \$50,000 per year, compared to approximately

44.85% of the population within a 10-mile radius and 52.20% within a 15-mile radius. The Corpus Christi MSA features approximately 55.64% of the population earning an income in excess of \$50,000 per year.

Due to the partially adjoining Sinton High School development, it is meaningful to include the current income of teachers of Sinton ISD, which is currently approximately \$55,000 per year. Additionally, it was reported by the developer that the Somerset residential development will feature special TSAHC (Texas State Affordable Housing Corporation) designation, for housing designated for first responders, teachers, armed forces/veterans, etc., which provides additional down payment assistance for qualified borrowers.

Target Market

Based on the anticipated home product and the appraisers' survey of competitive projects, the expected target market is for average quality, high density residential development for middle level income home buyers. The following reflects the projected household demand within the 15-mile radius micro market (San Patricio County) using a base of 16,085 homes in 2021, growing to 16,754 homes in 2026 taken and projected from the Environics Analytics Demographic report presented earlier. This household growth is then qualified to the income requirements for the specified housing type (approximately 30.05% of households within the 15-mile radius of the subject area fall within the qualifying income category of income levels from \$50,000 to \$100,000 per year).

We have relied on economists' projections from Nielsen in order to isolate potential housing demand at the subject property. The projected household growth in the 15-mile radius is projected to increase at a rate of 8.30% from 2021 through 2025. The demographics chart included previously is a summary of the demographics of the population within a 5-, 10- and 15-mile radius of the subject as well as the Corpus Christi MSA.

Projected Household Growth for Subject Area (15.0 mile radius) - Per Environics Analytics

| | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|--------|--------|--------|--------|--------|
| Subject Area Percentage of Growth | 0.83% | 0.83% | 0.83% | 0.83% | 0.83% |
| Subject Area Households | 16,085 | 16,219 | 16,354 | 16,490 | 16,627 |
| Subject Area Annual Household Growth | 134 | 135 | 136 | 137 | 138 |

Total Market by Income Strata - 15 mile radius

| | 2021 | 2022 | 2023 | 2024 | 2025 |
|--------------------------------------|--------|--------|--------|--------|--------|
| Household Growth | 134 | 135 | 136 | 137 | 138 |
| % of Households in Income Strata | 30.05% | 30.05% | 30.05% | 30.05% | 30.05% |
| Total Annual Market by Income Strata | 40 | 41 | 41 | 41 | 42 |

Based on demographics for the 15-mile radius, it is shown that 64.47% of homeowners have a single-family ownership preference; the total submarket demand can be estimated at 134 homes per year for 2021. There is a total of 462 proposed lots in the Somerset PID development.

As discussed previously, competing subdivisions reflect absorption for 2021 ranging from 17 to 236 lots with an average of 83 lots per annum per subdivision (including the subject contract to DR Horton, which is expected to be fulfilled within 12 months of development for the contracted 236 lots). Excluding the subject contract, the comparable subdivisions reflect absorption for 2021 ranging from 17 to 45 lots with an average

of 32 lots per annum per subdivision. *It is noted that the subject development benefits from proximity to one of the largest employers in the region and from limited nearby competition.*

According to the market study as outlined in the chart on the following page, the existing supply of the comparable subdivisions surveyed including the subject 462 lots totals 679 lots (218 lots excluding subject development). The subject proposed lots comprise a total of approximately 68% of the existing comparable single-family lot inventory from the survey, however, it is noted that not all comparable subdivisions were surveyed and that the inventory shown in our survey is not comprehensive and does not include all of the existing supply of comparable lots in the subject's immediate market area. The projected household growth derived from the 2021 base of housing units within a 15-mile radius of the subject location (134 units) is multiplied by the percentage of households within the designated income strata pertaining to the subject development (30.05%) in order to estimate the total annual market by income status of 40 units. The 40 units are multiplied by the percentage of single-family residence preference in the 15-mile radius of the subject (64.5%) for a total market for development rate of 26 units. Using a capture ratio of 70% to 80%, say 75% of the existing supply would equate to potential subject lot sales of 5 units per quarter would result in an absorption in approximately 7.6 years. *However, the demographic projections lack the impact of the substantial job generation by Steel Dynamics located across the highway from the subject.*

The projected absorption is judged to be notably greater than indicated by the demographics analysis and is further substantiated by the subject lot contract as discussed previously which equates to a total of 236 lots contracted to DR Horton (intended to be taken down within one year) as well as a verbal commitment to take down all 50' lots within the development. The development also includes an additional letter of intent to purchase the 55 80' lots out of the development. *The projected absorption of the proposed single-family lots is within 8 to 10, or 9 quarters.*

Subject Land Use: Proposed Lots

The proposed lots in the Somerset PID development have one primary product type, high density, average quality single-family home development on single-family lots with an average lot size of 6,382 square feet. In our product analysis, the appraisers will analyze the market data and develop revenue estimates (base price) for this product type. The appraisers have reviewed the competitive home pricing by submarket, lot size, and on a project-by-project basis. The appraisers formulated hypothetical product and pricing assumptions for the subject's detached product. The chart at the end of this section summarizes our findings and will be referenced in the following discussion.

Product Type – Single-family Lots

The subdivision lots, which are the subject of this appraisal include 462 proposed lots. All of the lots are single-family lots which are generally 50 foot and 80-foot lots typically ranging from 110 feet to 120 feet in depth. The lots have an average lot size of 6,382 square feet. Since all of the lots are very similar in overall size and front feet, we have used an average FF per lot in calculating average lot sale price. We used similar sized lot comparables in our analysis. The estimated median home price in the market area is anticipated to be in the range of \$200,000 to \$300,000. The lot value conclusions are discussed in the Valuation Section of this report. As discussed above, 236 50-foot lots are currently under contract to DR Horton (and the remainder of the 50 foot lots have verbally been committed to by D.R. Horton) for a price of \$34,004 per lot,

as well as an additional letter of intent for MKP Management to purchase 55 lots for a price of \$46,000 per lot. The reported pricing is concessionary based on savings generated by PID funding.

| LOT SALE COMPARABLES | | | | | | | | | |
|----------------------|---|------------|--------------------|-----------------------------|--------------|-------------------|--------------------------|-------------------------------|-------------------|
| Sale No. | Project Address/Location | Lot Type | Sale Date | Lot Price Purchase Type | # Lots Sold | Avg. Lot Size | Price Per SF/FF | Avg Home Price | Lot to Home Ratio |
| 1 | David Estates Unit 2 53 Lots | SFR - PUD | 2021 (Proposed) | \$55,000 / Lot Builder | 35 Lots | 6,085 SF 65 FF | \$9.04 /SF \$846 / FF | N/A | N/A |
| 2 | David Estates Unit 5 46 Lots | SFR - R8 | 2021 (Proposed) | \$65,000 / Lot Builder | 17 Lots | 8,409 SF 70 FF | \$7.73 /SF \$929 / FF | N/A | N/A |
| 3 | Saratoga Downs Unit 3 DR Horton/Braselton 94 Lots | SFR - RS-6 | 7/6/2021 | \$35,500 / Lot Developer | 18 Lots | 5,488 SF 47 FF | \$5.56 /SF \$755 / FF | Low 200's | 17.8% |
| 4 | Callicoatte Estates DR Horton 94 Lots | SFR - RS-6 | 3/11/21 | \$44,000 / Lot Developer | 23 Lots | 6,257 SF 49 FF | \$4.87 /SF \$907 / FF | Low 200's to mid 200's | 19.6% |
| 5 | Calallen South Subdivision Uni Hogan 20 Lots | SFR | 2021 | \$49,000 / Lot Developer | 10 Lots | 9,000 SF 60 FF | \$3.39 /SF \$817 / FF | Mid 200's to high 200's | 16.6% to 19.6% |
| 6 | Somerset Subdivision PID DR Horton 406 Lots | SFR - PID | 2021 (Proposed) | \$34,004 / Lot Developer | 236 Lots U/C | 6,382 SF 50 FF | \$5.33 /SF \$680 / FF | \$185,000 \$225,000 | 15.1% to 18.4% |

COMMERCIAL/MIXED-USE/MULTI-FAMILY LAND MARKET ANALYSIS

The subject includes 10 tracts of commercial (7 tracts), multi-family (2 tracts), and residential land (1 tract). It is judged that demand for development of these sites will increase as new homes are constructed in the neighborhood, as well as development of commercial projects and ongoing large-scale industrial development. Typically, the demand for multi-family housing and commercial development follows development of single-family housing as demand increases when the population grows.

Retail Market

It is judged that the most likely use of the commercial tracts located along Highway 89, as well as along Highway 181 (East Sinton Street), is for mixed use commercial development with retail/neighborhood commercial development at major intersections. Neighborhood retail typically follows residential development in order to provide support services for the new households in the market area. The Sinton area has experienced very limited commercial development over the past several years; most new development within San Patricio County is located further southeast, in proximity to Gregory, Portland and Aransas Pass.

Due to the location of the subject property (northern San Patricio County, further removed from more developed areas such as Gregory, Portland, Aransas Pass, etc.), analytics concerning San Patricio County are analyzed in the following pages in order to better estimate development potential and current market trends for the general area. Corpus Christi (city data utilized versus the broader Nueces County) data is also considered and details the difference between San Patricio County and nearby Corpus Christi in each of the sections to follow. The Corpus Christi data is considered to be meaningful as more data is available and provides an insight to the regional market area, which has been viewed to influence various demand and supply factors within San Patricio County.

According to a custom CoStar Retail Market Analysis, San Patricio County includes a retail inventory of 2.7 million square feet, at an average market rental of \$12.97 per square foot per year (net lease basis), and a vacancy rate of 4.3%. The survey reflects a 12-month absorption of 31,300 square feet. There are currently 25,900 square feet under construction in the entire market area. The market appears relatively strong and has notably increased over the past twelve months.

| INVENTORY SF | UNDER CONSTRUCTION SF | 12 MO NET ABSORPTION SF | VACANCY RATE | MARKET RENT/SF | MARKET SALE PRICE/SF | MARKET CAP RATE |
|-----------------------|-----------------------|----------------------------|-------------------------|----------------------------|--------------------------|-------------------------|
| 2.7M +0% | 25.9K - | 31.3K +508.2% | 4.3% -1.1% | \$12.97 +1.6% | \$173 +2.4% | 7.2% -0.1% |
| Prior Period 2.7M | Prior Period 0 | Prior Period (7.7K) | Prior Period 5.4% | Prior Period \$12.78 | Prior Period \$169 | Prior Period 7.3% |

| Availability | | Inventory | | Sales Past Year | | Demand | |
|--------------------------|-----------|-------------------------------|---------|-----------------------------------|----------|---------------------------------|---------|
| Vacant SF | 114K ↓ | Existing Buildings | 338 ↓ | Asking Price Per SF | \$344 ↑ | 12 Mo Net Absorp % of Inventory | 1.2% ↓ |
| Sublet SF | 0 ↓ | Under Construction Avg SF | 13K | Sale to Asking Price Differential | - | 12 Mo Leased SF | 23.9K ↓ |
| Availability Rate | 5.0% ↓ | 12 Mo Demolished SF | 0 ↓ | Sales Volume | \$650K ↑ | Months on Market | 18.0 ↓ |
| Available SF | 138K ↓ | 12 Mo Occupancy % at Delivery | - | Properties Sold | 19 ↓ | Months to Lease | - |
| Available Asking Rent/SF | \$14.80 ↓ | 12 Mo Construction Starts SF | 25.9K ↓ | Months to Sale | 11.4 ↓ | Months Vacant | - |
| Occupancy Rate | 95.7% ↓ | 12 Mo Delivered SF | 0 ↓ | For Sale Listings | 13 ↓ | 24 Mo Lease Renewal Rate | 87.2% |
| Percent Leased Rate | 95.7% ↓ | 12 Mo Avg Delivered SF | - | Total For Sale SF | 54.9K ↑ | Population Growth 5 Yrs | -0.1% |

According to a custom CoStar Retail Market Analysis, Corpus Christi includes a retail inventory of 23.7 million square feet, at an average market rental of \$14.86 per square foot per year (net lease basis), and a vacancy rate of 4.2%. The survey reflects a 12-month absorption of 12,300 square feet. There are currently 114,000 square feet under construction in the entire market area. The market appears relatively strong and has notably increased over the past twelve months.

| INVENTORY SF 23.6M +0.2% Prior Period 23.5M | | UNDER CONSTRUCTION SF 114K +178.3% Prior Period 40.9K | | 12 MO NET ABSORPTION SF 12.3K +105.7% Prior Period (217K) | | VACANCY RATE 4.2% +0.2% Prior Period 4.0% | | MARKET RENT/SF \$14.86 +0.7% Prior Period \$14.76 | | MARKET SALE PRICE/SF \$212 +4.8% Prior Period \$202 | | MARKET CAP RATE 7.0% -0.1% Prior Period 7.1% | | | |
|---|---------|---|-------------------------------|---|---|---|---------|---|---------------------------------|---|---|--|-------|---|--|
| Availability | | | | Inventory | | | | Sales Past Year | | | | Demand | | | |
| Vacant SF | 988K | ↓ | Existing Buildings | 2,209 | ↓ | Asking Price Per SF | \$204 | ↓ | 12 Mo Net Absorp % of Inventory | 0.1% | ↓ | 12 Mo Leased SF | 321K | ↓ | |
| Sublet SF | 2K | ↓ | Under Construction Avg SF | 37.9K | ↓ | Sale to Asking Price Differential | -6.8% | ↑ | 12 Mo Leased SF | 321K | ↓ | Months on Market | 12.4 | ↓ | |
| Availability Rate | 4.9% | ↓ | 12 Mo Demolished SF | 2.9K | ↓ | Sales Volume | \$21.7M | ↓ | Months on Market | 12.4 | ↓ | Months to Lease | 13.4 | ↓ | |
| Available SF | 1.2M | ↓ | 12 Mo Occupancy % at Delivery | 71.9% | ↓ | Properties Sold | 97 | ↓ | Months to Lease | 13.4 | ↓ | Months Vacant | 10.0 | ↓ | |
| Available Asking Rent/SF | \$14.37 | ↑ | 12 Mo Construction Starts SF | 125K | ↓ | Months to Sale | 10.6 | ↓ | Months Vacant | 10.0 | ↓ | 24 Mo Lease Renewal Rate | 85.4% | ↓ | |
| Occupancy Rate | 95.8% | ↓ | 12 Mo Delivered SF | 51.6K | ↓ | For Sale Listings | 58 | ↓ | Population Growth 5 Yrs | 0.7% | ↓ | | | | |
| Percent Leased Rate | 95.9% | ↑ | 12 Mo Avg Delivered SF | 6.6K | ↓ | Total For Sale SF | 1.1M | ↓ | | | | | | | |

Office

An office market analysis prepared by CoStar custom analytics regarding San Patricio County indicates an inventory of 325,000 square feet and an average vacancy of 4.3%. The 12-month absorption rate is (6,100) square feet, and there is no new construction currently underway. Average rental rates are \$17.70 per square foot per year, on a full-service lease basis. Overall, the office market is indicated to be inferior to nearby Nueces County, with more office-related growth/developments occurring in Corpus Christi.

| INVENTORY SF | | UNDER CONSTRUCTION SF | | 12 MO NET ABSORPTION SF | | VACANCY RATE | | MARKET RENT/SF | | MARKET SALE PRICE/SF | | MARKET CAP RATE | |
|-------------------|-----|-----------------------|---|-------------------------|---------|-------------------|-------|----------------------|-----|----------------------|-------|--------------------|-----|
| 325K | +0% | 0 | - | (6.1K) | -707.3% | 4.3% | +1.9% | \$17.70 | +0% | \$111 | +0.1% | 10.1% | +0% |
| Prior Period 325K | | Prior Period 0 | | Prior Period (761) | | Prior Period 2.4% | | Prior Period \$17.60 | | Prior Period \$111 | | Prior Period 10.1% | |

| Availability | | Inventory | | Sales Past Year | | Demand | |
|--------------------------|-----------|-------------------------------|------|-----------------------------------|---------|---------------------------------|---------|
| Vacant SF | 14.1K ↑ | Existing Buildings | 73 ↓ | Asking Price Per SF | - | 12 Mo Net Absorp % of Inventory | -1.9% ↓ |
| Sublet SF | 0 ↓ | Under Construction Avg SF | - | Sale to Asking Price Differential | - | 12 Mo Leased SF | 400 ↓ |
| Availability Rate | 7.6% ↓ | 12 Mo Demolished SF | 0 ↓ | Sales Volume | 50 ↓ | Months on Market | 5.1 ↓ |
| Available SF | 24.7K ↓ | 12 Mo Occupancy % at Delivery | - | Properties Sold | 4 ↓ | Months to Lease | - |
| Available Asking Rent/SF | \$20.16 ↓ | 12 Mo Construction Starts SF | 0 ↓ | Months to Sale | - | Months Vacant | - |
| Occupancy Rate | 95.7% ↓ | 12 Mo Delivered SF | 0 ↓ | For Sale Listings | 4 ↓ | 24 Mo Lease Renewal Rate | 80.5% |
| Percent Leased Rate | 95.7% ↓ | 12 Mo Avg Delivered SF | - | Total For Sale SF | 19.2K ↓ | Population Growth 5 Yrs | 0.2% |

An office market analysis prepared by CoStar custom analytics regarding the city of Corpus Christi indicates an inventory of 11,200,000 square feet and an average vacancy of 9.6%. The 12-month absorption rate is (145,000) square feet, and there is no new construction currently underway. Average rental rates are \$18.33 per square foot per year, on a full-service lease basis. Overall, the office market is indicated to be relatively stable, with notable decrease in absorption and a slight decrease in market rent per square foot.

| INVENTORY SF | | UNDER CONSTRUCTION SF | | 12 MO NET ABSORPTION SF | | VACANCY RATE | | MARKET RENT/SF | | MARKET SALE PRICE/SF | | MARKET CAP RATE | |
|--------------------|-------|-----------------------|---------|-------------------------|---------|-------------------|-------|----------------------|-------|----------------------|-------|-------------------|-----|
| 11.2M | +0.1% | 0 | -100.0% | (145K) | -762.6% | 9.6% | +1.4% | \$18.33 | -0.3% | \$129 | -0.6% | 9.7% | +0% |
| Prior Period 11.2M | | Prior Period 12.3K | | Prior Period (16.8K) | | Prior Period 8.2% | | Prior Period \$18.38 | | Prior Period \$130 | | Prior Period 9.7% | |

| Availability | | Inventory | | Sales Past Year | | Demand | |
|--------------------------|-----------|-------------------------------|---------|-----------------------------------|----------|---------------------------------|---------|
| Vacant SF | 1.1M ↓ | Existing Buildings | 787 ↑ | Asking Price Per SF | \$80 ↓ | 12 Mo Net Absorp % of Inventory | -1.3% ↓ |
| Sublet SF | 16K ↑ | Under Construction Avg SF | - | Sale to Asking Price Differential | -21.1% ↓ | 12 Mo Leased SF | 254K ↓ |
| Availability Rate | 10.6% ↓ | 12 Mo Demolished SF | 0 ↓ | Sales Volume | \$8.5M ↓ | Months on Market | 14.8 ↓ |
| Available SF | 1.2M ↓ | 12 Mo Occupancy % at Delivery | 43.6% | Properties Sold | 115 ↓ | Months to Lease | 7.2 ↓ |
| Available Asking Rent/SF | \$16.18 ↓ | 12 Mo Construction Starts SF | 0 ↓ | Months to Sale | 8.5 ↓ | Months Vacant | 7.0 ↓ |
| Occupancy Rate | 90.4% ↓ | 12 Mo Delivered SF | 12.3K ↓ | For Sale Listings | 28 ↓ | 24 Mo Lease Renewal Rate | 71.3% |
| Percent Leased Rate | 90.6% ↓ | 12 Mo Avg Delivered SF | 12.3K | Total For Sale SF | 253K ↓ | Population Growth 5 Yrs | -0.8% |

Industrial

An industrial market analysis prepared by CoStar custom analytics regarding San Patricio County indicates an inventory of 3,300,000 square feet and an average vacancy of 0.6%. The 12-month absorption rate is (11,900) square feet, and 200,000 square feet is currently under construction. Average rental rates are \$9.27 per square foot per year, on a gross lease basis. Market rent per square foot has risen from \$8.83 to \$9.27 on a gross lease basis over the prior period. Overall, the San Patricio County industrial market is strong and in a period of rapid growth/expansion.

| INVENTORY SF 3.3M +0% Prior Period 3.3M | | UNDER CONSTRUCTION SF 200K +0% Prior Period 200K | | 12 MO NET ABSORPTION SF (11.9K) -303.1% Prior Period 5.9K | | VACANCY RATE 0.6% +0.4% Prior Period 0.2% | | MARKET RENT/SF \$9.27 +5.0% Prior Period \$8.83 | | MARKET SALE PRICE/SF \$85 +5.0% Prior Period \$81 | | MARKET CAP RATE 6.9% +0.1% Prior Period 6.8% | |
|--|-----------|---|-----------|--|----------|--|---------|--|---------|--|--------|---|-------|
| Availability | | | Inventory | | | Sales Past Year | | | Demand | | | | |
| Vacant SF | 19.6K ↓ | Existing Buildings | 68 ↓ | Asking Price Per SF | \$103 ↓ | 12 Mo Net Absorp % of Inventory | -0.4% ↓ | Sublet SF | 0 ↓ | Under Construction Avg SF | 200K ↓ | 12 Mo Leased SF | 5K ↓ |
| Availability Rate | 0.6% ↓ | 12 Mo Demolished SF | 0 ↓ | Sale to Asking Price Differential | -0.9% ↓ | Months on Market | - | Available SF | 19.6K ↓ | 12 Mo Occupancy % at Delivery | - | Months to Lease | - |
| Available Asking Rent/SF | \$16.96 ↓ | 12 Mo Construction Starts SF | 0 ↓ | Sales Volume | \$1.1M ↓ | Months to Vacant | - | Occupancy Rate | 99.4% ↓ | 12 Mo Delivered SF | 0 ↓ | 24 Mo Lease Renewal Rate | 96.4% |
| Percent Leased Rate | 99.4% ↓ | 12 Mo Avg Delivered SF | - | Properties Sold | 7 ↓ | Population Growth 5 Yrs | -0.2% | | | | | | |

An industrial market analysis prepared by CoStar custom analytics regarding the city of Corpus Christi indicates an inventory of 21,900,000 square feet and an average vacancy of 5.8%. The 12-month absorption rate is (147,000) square feet, and 56,000 square feet is currently under construction. Average rental rates are \$8.94 per square foot per year, on a gross lease basis. Market rent per square foot has risen from \$8.52 to \$8.94 on a gross lease basis over the prior period. Overall, the Corpus Christi industrial market remains stable and has continued to grow and expand over the past twelve months.

| INVENTORY SF 21.9M +0.4% Prior Period 21.8M | | UNDER CONSTRUCTION SF 56K +288.6% Prior Period 14.4K | | 12 MO NET ABSORPTION SF (147K) -2.7% Prior Period (143K) | | VACANCY RATE 5.8% +0.9% Prior Period 4.9% | | MARKET RENT/SF \$8.94 +4.9% Prior Period \$8.52 | | MARKET SALE PRICE/SF \$89 +6.1% Prior Period \$83 | | MARKET CAP RATE 7.3% +0% Prior Period 7.3% | |
|--|----------|---|-----------|---|----------|--|---------|--|---------|--|---------|---|--------|
| Availability | | | Inventory | | | Sales Past Year | | | Demand | | | | |
| Vacant SF | 1.3M ↓ | Existing Buildings | 1,510 ↓ | Asking Price Per SF | \$68 ↓ | 12 Mo Net Absorp % of Inventory | -0.7% ↓ | Sublet SF | 23.9K ↓ | Under Construction Avg SF | 11.2K ↓ | 12 Mo Leased SF | 549K ↓ |
| Availability Rate | 11.1% ↓ | 12 Mo Demolished SF | 0 ↓ | Sale to Asking Price Differential | -33.0% ↓ | Months on Market | -11.6 ↓ | Available SF | 2.4M ↓ | 12 Mo Occupancy % at Delivery | 80.8% ↓ | Months to Lease | 2.9 ↓ |
| Available Asking Rent/SF | \$9.23 ↓ | 12 Mo Construction Starts SF | 91.8K ↓ | Sales Volume | \$2.1M ↓ | Months to Vacant | 3.0 ↓ | Occupancy Rate | 94.2% ↓ | Properties Sold | 79 ↓ | 24 Mo Lease Renewal Rate | 78.0% |
| Percent Leased Rate | 94.7% ↓ | 12 Mo Delivered SF | 50.3K ↓ | Months to Sale | 9.8 ↓ | Population Growth 5 Yrs | -0.9% | | | For Sale Listings | 37 ↓ | | |

Multi-Family

A multi-family analysis prepared by CoStar custom analytics regarding San Patricio County indicates an inventory of 4,282 units and an average vacancy rate of 7.4%. The 12-month absorption rate is 281 units, and 70 new units are under construction. Average rental rates are \$1,126 per unit. Overall, the multi-family market is indicated to be in a period of growth and expansion.

| INVENTORY UNITS 4,282 +4.7% Prior Period 4,090 | | UNDER CONSTRUCTION UNITS 70 -73.3% Prior Period 262 | | 12 MO ABSORPTION UNITS 281 +45.7% Prior Period 193 | | VACANCY RATE 7.4% -2.5% Prior Period 9.9% | | MARKET RENT/UNIT \$1,126 +6.3% Prior Period \$1,059 | | MARKET SALE PRICE/UNIT \$119K +8.4% Prior Period \$109K | | MARKET CAP RATE 5.9% -0.1% Prior Period 6.0% | |
|--|---------|---|---------------------------------|--|---|---|----------|---|---------------------------------|---|---|--|-------|
| Availability | | | Inventory | | | Sales Past Year | | | Demand | | | | |
| Vacant Units | 315 | ↓ | Existing Buildings | 60 | ↓ | Asking Price Per Unit | \$49,125 | ↓ | 12 Mo Absorp % of Inventory | 6.7% | ↓ | Median Household Income | 78.2K |
| Asking Rent/SF | \$1.20 | ↓ | Average Units Per Bldg | 71 | ↑ | Sale to Asking Price Differential | - | | Population Growth 5 Yrs 20-29 | 3.4% | | Population Growth 5 Yrs 30-39 | -6.0% |
| Concession Rate | 0.5% | ↓ | 12 Mo Demolished Units | 0 | ↓ | Sales Volume | \$0 | ↓ | Population Growth 5 Yrs 40-54 | 2.6% | | Population Growth 5 Yrs 55+ | 5.9% |
| Studio Asking Rent | \$900 | ↓ | 12 Mo Occupancy % at Delivery | 4.7% | | Properties Sold | 9 | ↓ | Population Growth 5 Yrs | -0.2% | | | |
| 1 Bedroom Asking Rent/Unit | \$933 | ↓ | 12 Mo Construction Starts Units | 0 | ↓ | Months to Sale | 3.4 | ↓ | | | | | |
| 2 Bedroom Asking Rent/Unit | \$1,168 | ↓ | 12 Mo Delivered Units | 192 | ↓ | For Sale Listings | - | | | | | | |
| 3 Bedroom Asking Rent/Unit | \$1,353 | ↓ | 12 Mo Avg Delivered Units | 192 | | Total For Sale Units | - | | | | | | |

A multi-family analysis prepared by CoStar custom analytics regarding the city of Corpus Christi indicates an inventory of 31,660 units and an average vacancy rate of 7.8%. The 12-month absorption rate is 840 units, and 534 new units are under construction. Average rental rates are \$1,037 per unit. Overall, the multi-family market is indicated to be in a period of rapid growth and expansion, with a notable decrease in vacancy rate (10.3% to 7.8%) and notable increase in absorption (increase from (60) units to 840 units).

| INVENTORY UNITS 31,660 +0.2% Prior Period 31,595 | | UNDER CONSTRUCTION UNITS 534 +10.9% Prior Period 482 | | 12 MO ABSORPTION UNITS 840 +1,500.2% Prior Period (60) | | VACANCY RATE 7.8% -2.5% Prior Period 10.3% | | MARKET RENT/UNIT \$1,037 +5.4% Prior Period \$984 | | MARKET SALE PRICE/UNIT \$96.7K +6.0% Prior Period \$91.2K | | MARKET CAP RATE 6.6% +0% Prior Period 6.6% | |
|--|---------|--|---------------------------------|--|---|--|--------|---|---------------------------------|---|---|--|-------|
| Availability | | | Inventory | | | Sales Past Year | | | Demand | | | | |
| Vacant Units | 2,451 | ↓ | Existing Buildings | 362 | ↓ | Asking Price Per Unit | - | | 12 Mo Absorp % of Inventory | 2.7% | ↓ | Median Household Income | 73.8K |
| Asking Rent/SF | \$1.22 | ↓ | Average Units Per Bldg | 87 | ↑ | Sale to Asking Price Differential | - | | Population Growth 5 Yrs 20-29 | -5.7% | | Population Growth 5 Yrs 30-39 | -2.1% |
| Concession Rate | 0.6% | ↓ | 12 Mo Demolished Units | 59 | ↓ | Sales Volume | \$1.9M | ↓ | Population Growth 5 Yrs 40-54 | 4.8% | | Population Growth 5 Yrs 55+ | 3.8% |
| Studio Asking Rent | \$1,126 | ↓ | 12 Mo Occupancy % at Delivery | 47.8% | ↓ | Properties Sold | 41 | ↑ | Population Growth 5 Yrs | -0.3% | | | |
| 1 Bedroom Asking Rent/Unit | \$932 | ↓ | 12 Mo Construction Starts Units | 109 | ↓ | Months to Sale | 14.6 | ↑ | | | | | |
| 2 Bedroom Asking Rent/Unit | \$1,100 | ↓ | 12 Mo Delivered Units | 160 | ↑ | For Sale Listings | 5 | ↓ | | | | | |
| 3 Bedroom Asking Rent/Unit | \$1,215 | ↓ | 12 Mo Avg Delivered Units | 100 | ↓ | Total For Sale Units | 178 | ↑ | | | | | |

LAND AND DEVELOPMENT ANALYSIS

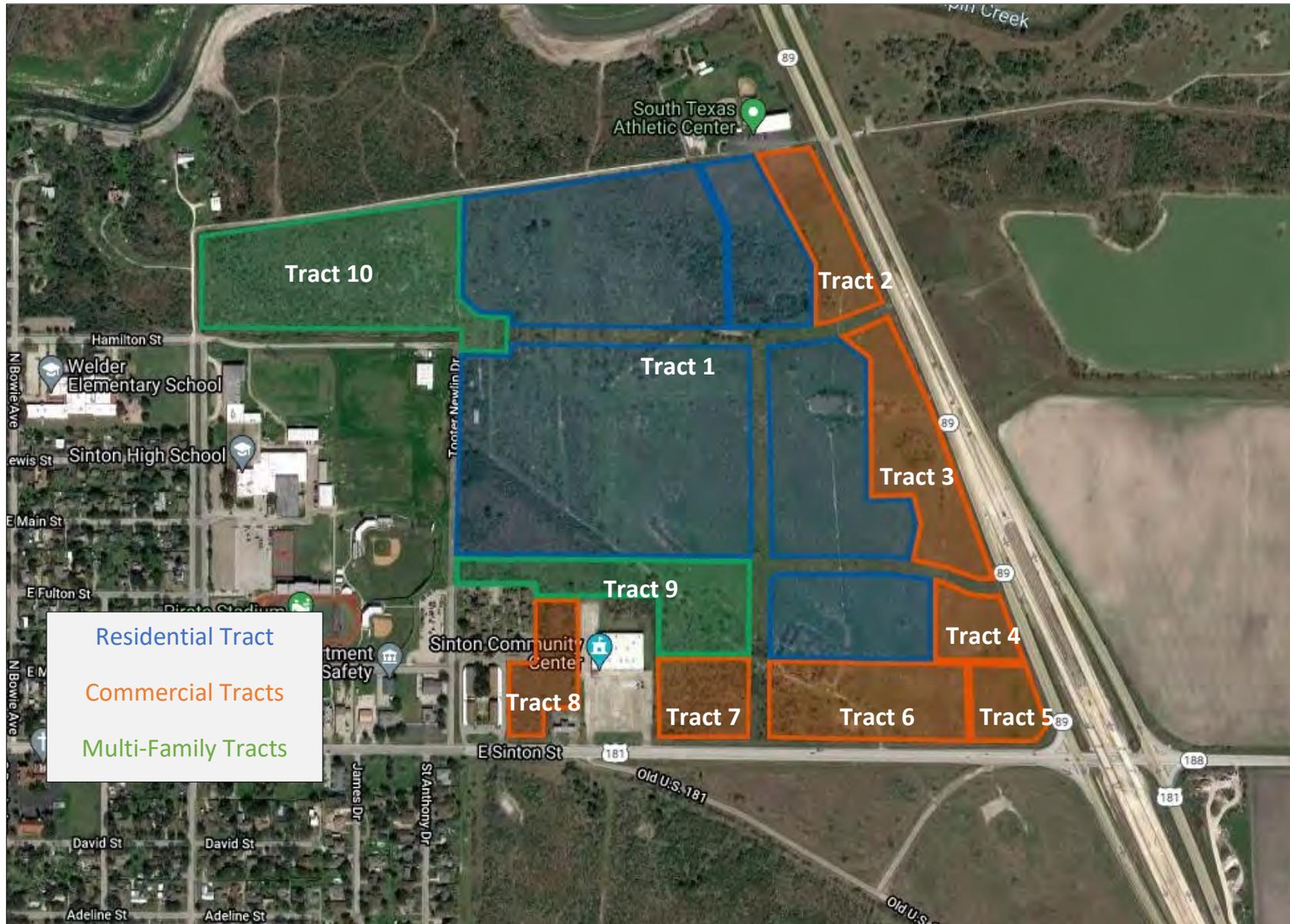
The following description of the subject's characteristics is based on the proposed development plan and our physical property tour/visit. Please refer to the photographs for a visual perspective of the subject's physical characteristics (as-is). The subject property includes approximately 177.36 acres of land area, as-is. The 10 mixed-use tracts range in total size, shape and frontage/accessibility. Physical data of the subject property on an as-is basis (whole site area) is summarized in the chart below. Descriptions of the individual development tracts is located on the following page.

| SITE SUMMARY | | | |
|---------------------------|---|------------------|----------------|
| Land Data | | | |
| Location | Northwest corner of Highway 89 and Highway 181 | | |
| Shape | Irregular | | |
| Topography | Generally level to gently rolling | | |
| Total Land Area | 177.36 Acres | | |
| Infrastructure | | | |
| Streets | Planned | | |
| Accessibility | Good | | |
| Drainage | Adequate | | |
| Utilities | | | |
| Water | City of Sinton (Nearby) | | |
| Sewer | City of Sinton (Nearby) | | |
| Natural Gas | None | | |
| Electricity | City of Sinton (Nearby) | | |
| Telephone | AT&T | | |
| Mass Transit | None | | |
| Jurisdictional | | | |
| Zoning Code/District | R-1, C, R-2; Residential Single Family District, Commercial District, Residential Multi-Family District | | |
| Legal Description (As Is) | 177.36 Acre Tract of Land, situated in the John Henderson Survey, Abstract Number 156, and the Archibald Herron Survey, Abstract Number 166, comprising of portions of a 122.77 Acre Tract, a 77.24 Acre Tract, and a 514.98 Acre Tract, being all of Lots 2 and 3, Odem Subdivision Unit 5, Save | | |
| Flood Map Panel | 48409C0275E | | |
| Flood Map Date | November 4, 2016 | | |
| Flood Zone | Zone X, Zone A | | |
| Flood Zone Description | The subject is partially located within the 100-year flood plain. | | |
| Other | Noted | Not Noted | Unknown |
| Detrimental Easements | | X | |
| Encroachments | | X | |
| Deed Restrictions | | X | |
| Reciprocal Park Rights | | X | |
| Common Ingress/Egress | | X | |

The mixed-use commercial land tracts have been valued in the Valuation Section using the Sales Comparison approach. The entire residential land tract (allocated, developed land area) has also been valued for use in the Cost Approach. The individual residential tracts have not been valued utilizing the sales comparison approach as they are entitled for proposed lots and have been valued utilizing the Income Approach (Discounted Cash Flow Analysis). The vacant land tracts are summarized as follows:

| Vacant Land Inventory | | | |
|-----------------------|---|---|------------------|
| Tract # | Description | Location | Size (net acres) |
| 1 | Residential Land - Proposed 462 SFR lots | Northwest of Highway 89 and Highway 181, northeast of the Terminus of Tooter Newlin Drive | 67.69 Ac. |
| 2 | Commercial/Retail Development Land | Northwest Corner of Highway 89 and Goodnight Trail | 7.26 Ac. |
| 3 | Commercial/Retail Development Land | Southwest Corner of Highway 89 and Goodnight Trail | 9.39 Ac. |
| 4 | Commercial/Retail Development Land | Southwest Corner of Wagon Wheel and Highway 89 | 3.32 Ac. |
| 5 | Commercial/Retail Development Land | Northwest Corner of Highway 89 and Highway 181 | 5.00 Ac. |
| 6 | Commercial/Retail Development Land | Northeast Corner of Highway 181 and North Somerset Boulevard | 10.00 Ac. |
| 7 | Commercial/Retail Development Land | Northwest Corner of Highway 181 and North Somerset Boulevard | 5.30 Ac. |
| 8 | Commercial/Retail Development Land | Northeast of Highway 181 and Tooter Newlin Drive | 4.63 Ac. |
| 9 | Multi-Family Development Land | Northeast of the Terminus of Tooter Newlin Drive | 9.98 Ac. |
| 10 | Multi-Family Development Land | Northeast of the Terminus of North Pirate Boulevard | 20.52 Ac. |
| | Drainage Areas/Greenspace/Roadways (Est.) | | 34.27 Ac. |
| | Total Net Tract Development Size | | 143.09 Ac. |
| | Total Parent Property Area | | 177.36 Ac. |

A location map of the subject parcels is included on the following page (each parcel is identified by color according to valuation category (residential, commercial, multi-family), as well as number (to identify each tract)).



Lot Analysis

The subject includes 462 proposed single-family residential lots.

| LAND USE SUMMARY - SOMERSET RESIDENTIAL SUBDIVISION | | | | | | | | |
|---|------------|------------|-----------------|-----------------|---------------------|------------------|----------------------|----------------------------|
| Type | Total Lots | Front Feet | Gross Ac/Lot | Gross SF/Lot | Total Net SF | Total Net Acres | Future Condition | Proposed Condition |
| SFR Lots | 407 Lots | 50 FF | 0.13 Ac. | 5,867 SF | 2,387,727 SF | 54.81 Ac. | Finished Lots | Single Family Homes |
| SFR Lots | 55 Lots | 80 FF | 0.23 Ac. | 10,195 SF | 560,740 SF | 12.87 Ac. | Finished Lots | Single Family Homes |
| Total | 462 | N/A | 0.15 Ac. | 6,382 SF | 2,948,467 SF | 67.69 Ac. | Finished Lots | Single Family Homes |

The proposed lots are all generally rectangular in shape (with additional corner lots) with generally level topography and a buildable site area on each lot. The lots will have all utilities including water, sewer and electricity service extended to each site. Per the site developer, an LOMR FEMA map will be designated to the property, rendering the homes in the current floodplain area to be above the base flood elevation level and not subject to additional insurance requirements for residences within flood zone areas. Additionally, the commercial tracts will similarly be located outside of the revised floodplain area upon completion. All utilities will be underground with paved streets and curbing.

The physical characteristics of the appraised tracts are included as follows. A general description of the property follows a brief summary of the vacant land tracts included below. Plats of the land and lots are included following this description.

Residential Land: Tract 1:

The residential land encompasses a net area of 67.69 acres with an additional 34.27 acres of drainage area/greenspace and interior roadways, for a total of 101.95 acres. The 462 proposed residential lots feature an average lot size of 6,382 square feet and 50 to 80 front feet. The residential land tract is situated in the north/central portion of the Somerset PID, with road access extending west from along Highway 89, as well as north from the north side of Highway 181 (East Sinton Street). The land is generally level to gently rolling with interspersed low-lying areas and features scattered to dense interior brush and tree cover (prior to development).

7 Tracts of Mixed-Use Commercial Land

The mixed-use commercial land includes 7 tracts of vacant land. The commercial tracts are numbered 2-8, as the residential tract is identified as Tract 1. The commercial tracts are described as follows:

Tract No. 2 contains 7.26 acres and is located along the northwest corner of Highway 89 and Goodnight Trail (proposed roadway). Tract No. 3 contains 9.39 acres and is located along the southwest corner of Highway 89 and Goodnight Trail. Tract No. 4 contains 3.32 acres and is located along the southwest corner of Highway 89 and Wagon Wheel (proposed roadway). Tract No. 5 contains 5.00 acres and is located along the northwest corner of Highway 89 and Highway 181. Tract No. 6 contains 10.00 acres and is located along the northeast corner of Highway 181 and North Somerset Boulevard (proposed roadway). Tract No. 7 contains 5.30 acres and is located along the northwest corner of Highway 181 and North Somerset Boulevard. Tract No. 8 contains 4.63 acres and is located northeast of Highway 181 and Tooter Newlin Drive, adjoining the Spanish Oaks of Sinton multifamily development.

2 Tracts of Multi-Family Residential Land

The zoned multi-family land includes 2 tracts of vacant land described as follows:

Tract No. 9 contains 9.98 acres and is located northeast of the terminus of Tooter Newlin Drive, along the northern boundary line of the Casa De Oro Apartments, and partially along the northern boundary of the Sinton Community Center and San Patricio Appraisal District building site. Tract No. 10 contains 20.52 acres and is located northeast of the terminus of North Pirate Boulevard, along the northeastern boundary line of Sinton High School property.

Location

The subject property is located in the eastern area of the City Limits of Sinton. The subject development tract is located along the northwestern corner of Highway 89 and Highway 181 (East Sinton Street), within the northern portion of San Patricio County.

Frontage/Access/Exposure

The subject property will have access via the roadways mentioned above and several new proposed roadways which will be developed as part of the PID within the parent project. Upon completion of the infrastructure improvements, the frontage and accessibility of each of the commercial/multifamily tracts, as well as the residential tract, will be good and feature multiple potential points of access. Exposure is high, largely due to the lack of surrounding development east and south of the subject location, allowing for increased exposure to the surrounding area and to Highway 89. The development has excellent access via existing major thoroughfares, being Highway 89/181 and Highway 181 (East Sinton Street). East Sinton Street is the main commercial thoroughfare running east/west through Sinton. Highway 89 is a controlled access divided freeway with access roads on each side. The development will have two entries from Highway 89/181 and internal access between tracts.

Shape

The tracts range from rectangular to irregular in shape. The tracts feature adequate interior site areas for further vertical development or further subdividing.

Topography/Vegetation

The topography of the residential, commercial and multi-family land is generally level (upon completion of the development). A portion of land located along the northernmost boundary line of the residential tract is proposed to be utilized for additional drainage support and green space area and is likely to remain generally level to gently rolling in topography with varying low-lying areas. The site areas upon completion will be cleared and level and ready for vertical development.

Utilities to Site

The property will be served by public utilities including water, sewer, electricity, and telephone. Additional utility capacity, drainage, roadway development and other related infrastructure will be provided via funding from the Somerset PID.

Physical Attributes

The subject site currently includes vacant land tracts all located within the proposed Somerset PID development. Most of the subject property is currently recreational ranch land which has been seasonally

cleared/mowed throughout portions of the site. Recently, a new low galvanized panel woven wire perimeter fence was installed; however, the fencing will be removed upon development of the site.

Each site has (or will have) street frontage on existing or proposed streets with good visibility, frontage and accessibility. All utilities will be extended to the property line of each developed tract as part of the PID including water, sewer, telephone and electricity, which are, or will be, underground following the roadways traversing throughout the development.

Streets

The subject property current features road accessibility along Highway 89 and Highway 181 (East Sinton Street). As developed, the Somerset development will feature a number of roadways traversing throughout the interior, with exits/entrances along Highway 181, Highway 89, Tooter Newlin Drive and North Pirate Boulevard. The main entry streets into the development are proposed to be 80 feet wide, and narrow to 60 feet in width further into the residential development area. Interior residential roadways are proposed to be 45 feet in width. Streets will be (when complete) dedicated to the city of Sinton and maintenance will be by the city once all roadways are complete according to guidelines outlined in the PID documents.

Zoning and Restrictions

The appraised property lots and land are located within Zones “R-1, C, R-2” Residential Single-Family District, Commercial District, Residential Multi-Family District, respectively, which are situated within the city of Sinton. Zoning designations are outlined in the PID, which has been approved by the city of Sinton. The PID use restrictions (zonings) for residential single-family district, commercial district, residential multi-family district uses. The property is also subject to subdivision development restrictions of the City of Sinton. It is reported that the proposed developments are in accordance with guidelines outlined in the PID.

Surrounding Development

The property is adjoined by two well-travelled thoroughfares with vacant/undeveloped ranch and farmland located east of Highway 89 and south of Highway 181. Additionally, the South Texas Athletic Center adjoins the northeastern boundary line of the subject, along with recreational undeveloped land along the remainder of the northern boundary line. The northwestern boundary line is adjoined by a single-family residence with a storage shed and gravel road frontage. The central-western boundary line adjoins Sinton High School (baseball field and open grassland/soccer/practice fields). The southwestern boundary of the site is adjoined by the Sinton Community Center and San Patricio County Appraisal District Building, Spanish Oaks multifamily development and the Casa de Oro Apartments. The adjoining development is well-established and older in nature. It is noted that Sinton High School is proposed to be redeveloped after receiving a 110-million-dollar bond; demolition is expected to commence within 90 days. The San Patricio County is reportedly currently planning to develop a new Courthouse immediately west of the subject.

Development Schedule

The subject property 462 lots are proposed for development subsequent to completion of the proposed PID improvements. The first phase of the proposed lot developments (vertical development by homebuilders) is projected to begin during 2022, upon completion of infrastructure/utilities.

Easements/Encroachments

Based on our visit and available maps and conversation with associated land developers, no considerable easements or encroachments were noted which would be detrimental to development of the subject site. It

is noted that a portion of the subject property is located within the current FEMA designated floodplain area; however, the site developer indicated that an LOMR FEMA map will be created denoting the completed tracts are out of the floodplain area. Our value conclusions are subject to revision should a current title policy reveal that any adverse easements or encroachments are present.

Soil and Sub-soil Conditions

No soil engineer's report was available to us and no recent soil tests for the entire site are known to have been performed. We have assumed a stable soil condition that would ensure the structural integrity of any improvement which may be constructed. Our value conclusions are subject to revision should these assumptions prove incorrect. We caution and advise the user of this report to obtain engineering studies, which may be required to ascertain any structural integrity.

Environmental Conditions

An environmental report was not provided; therefore, we have assumed that the property is free of any material which would adversely affect the value, including, but not limited to, toxic waste, underground leaks/contamination, classified/endangered animals/vegetation, etc. Our value conclusions are subject to revision should these assumptions prove incorrect. We caution and advise the user of this report to obtain environmental studies which may be required to ascertain status of the property with regard to potential underlying hazardous materials.

Flood Zone

According to National Flood Insurance Rate Map Community Panel Number 48409C0275E, portions of the subject gross land area are situated within Zone A, subject to the 100-year floodplain; however, the proposed lots and commercial tracts are all proposed to be developed above the base flood elevation and will receive an updated flood zone status within a FEMA LOMR, rendering the appraised tracts to be located within Zone X and not subject to the floodplain upon completion of the PID development.

Site Improvements

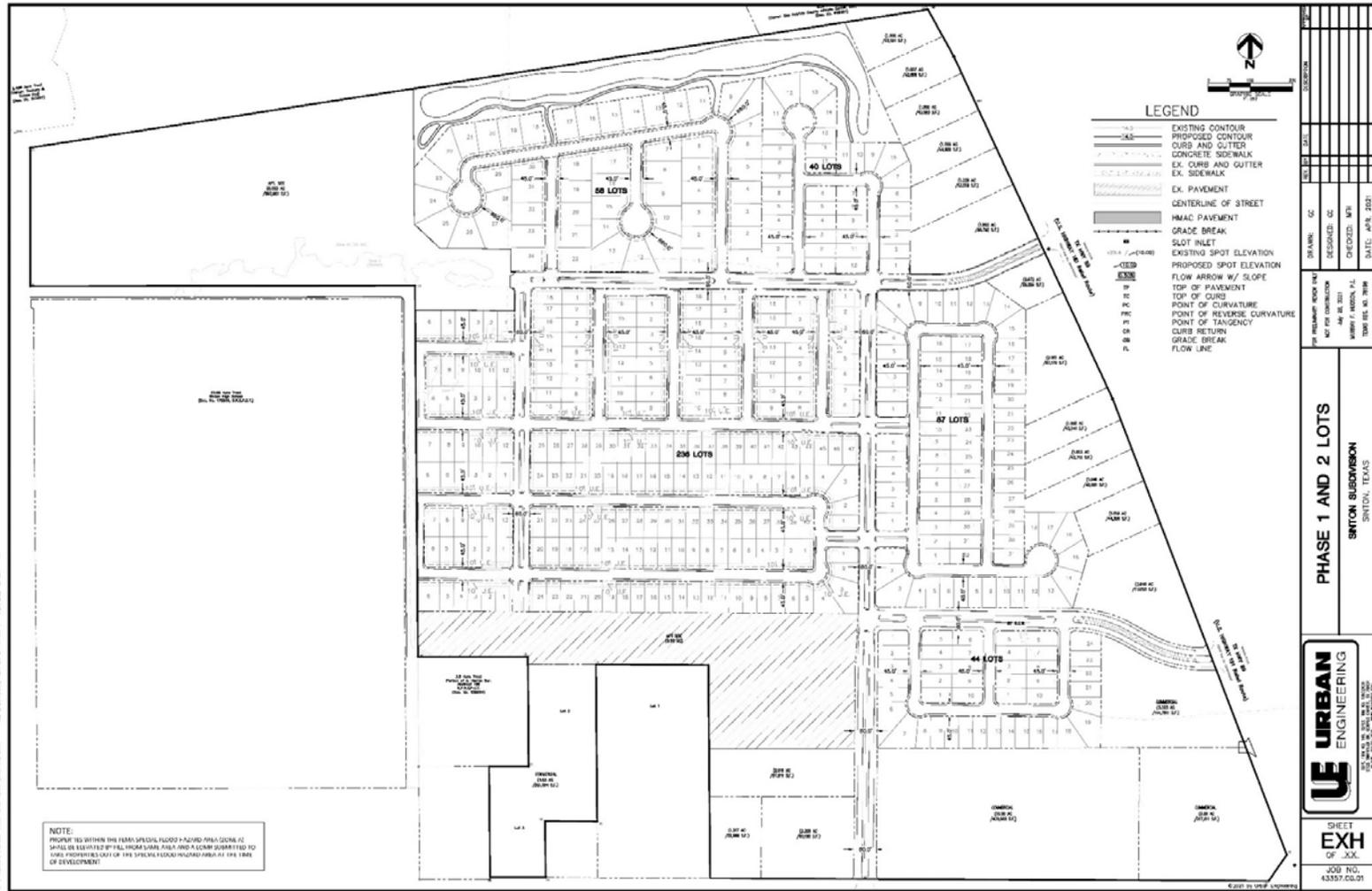
The subject residential lots are proposed in nature. Site improvements will include paved streets with curbing and sufficient drainage. Underground utilities (water, sewer and electric) will be available to each lot and tract of vacant land.

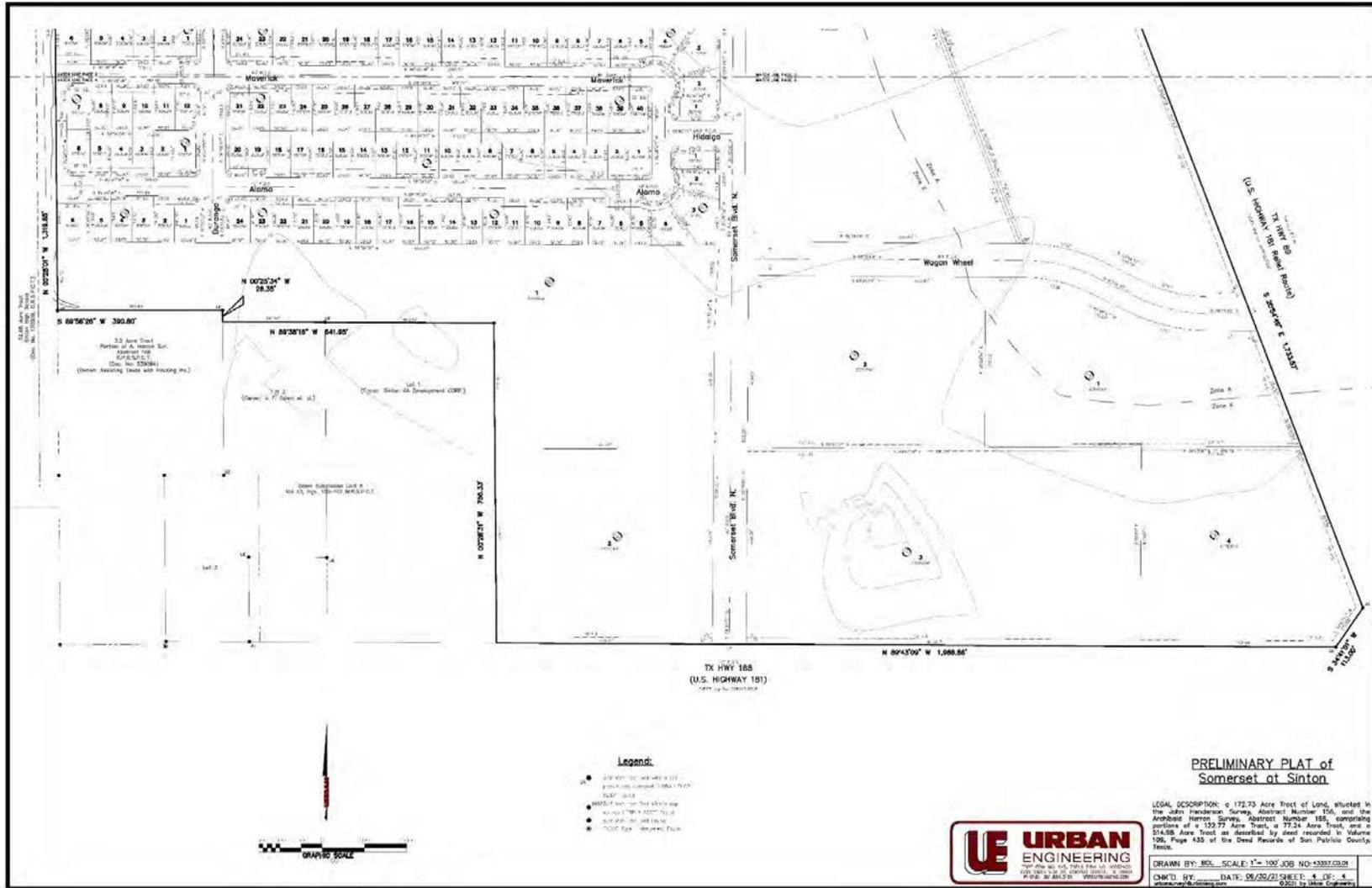
Site Summary

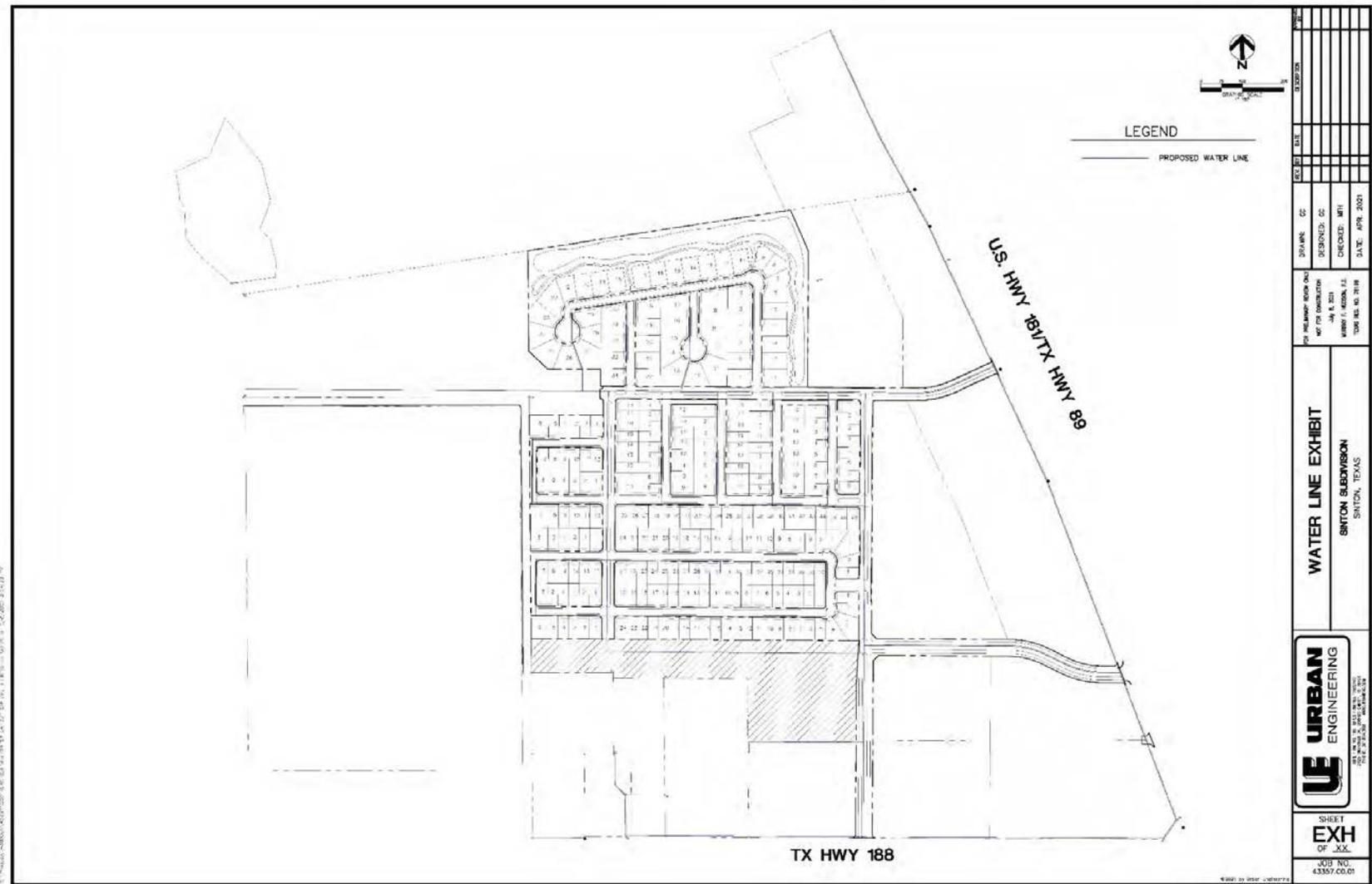
The subject subdivision lots and vacant land tracts have access to public streets and more major thoroughfares. The topography is generally level with a buildable area on each lot which is considered appropriate to accommodate the proposed single-family residential development or commercial/multi-family development. Per a topical investigation, the appraised property shape, utility service, land use restrictions, nuisances and hazards do not appear to be restrictive to development of the property. Overall, the subject lots and land are judged to be functionally adequate for residential single-family development and mixed-use commercial development.

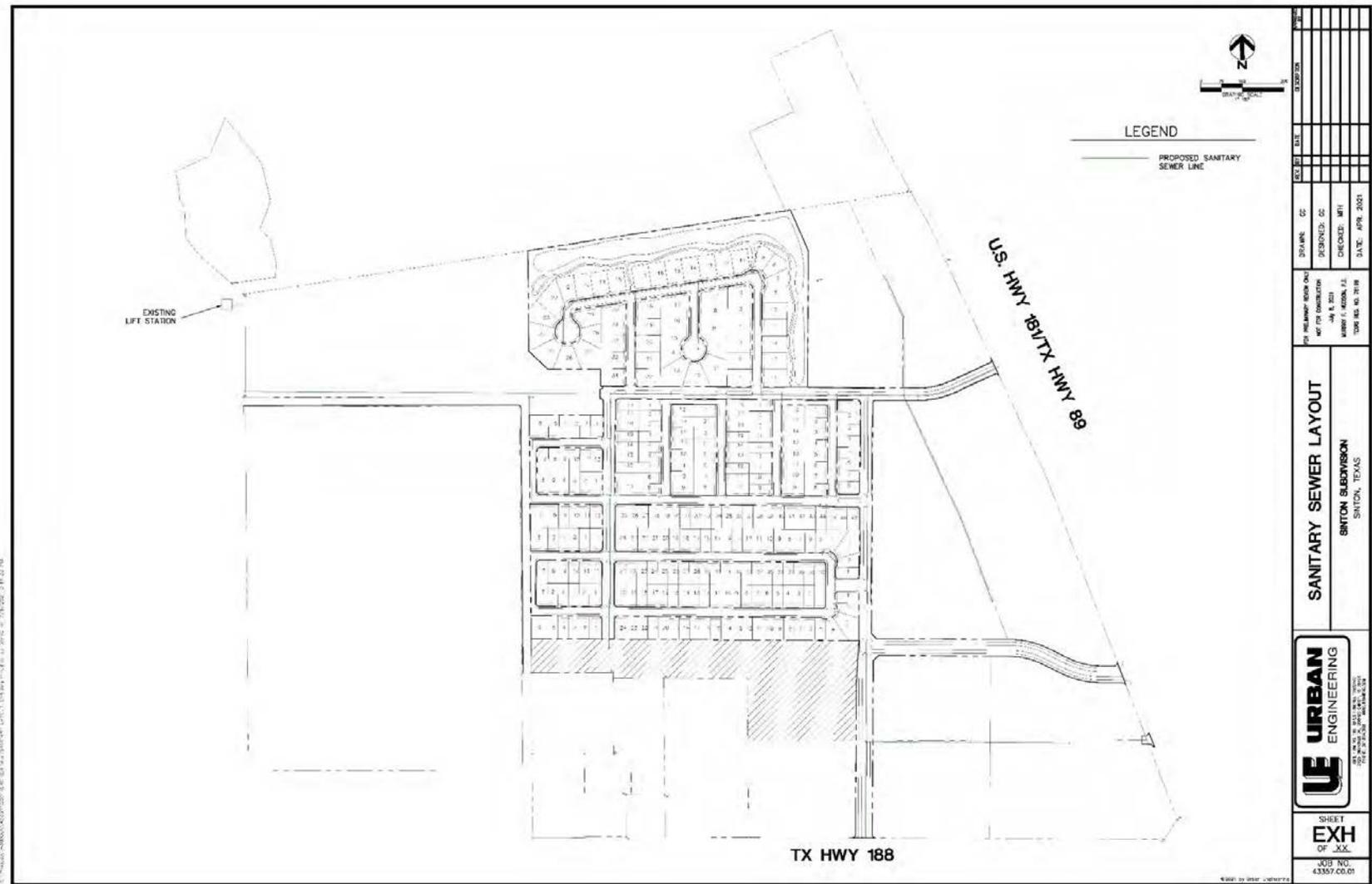
Survey Lots

A master plan and site development plans for the proposed residential lots are included below and on the following pages, followed by a tax parcel map and a flood hazard map.

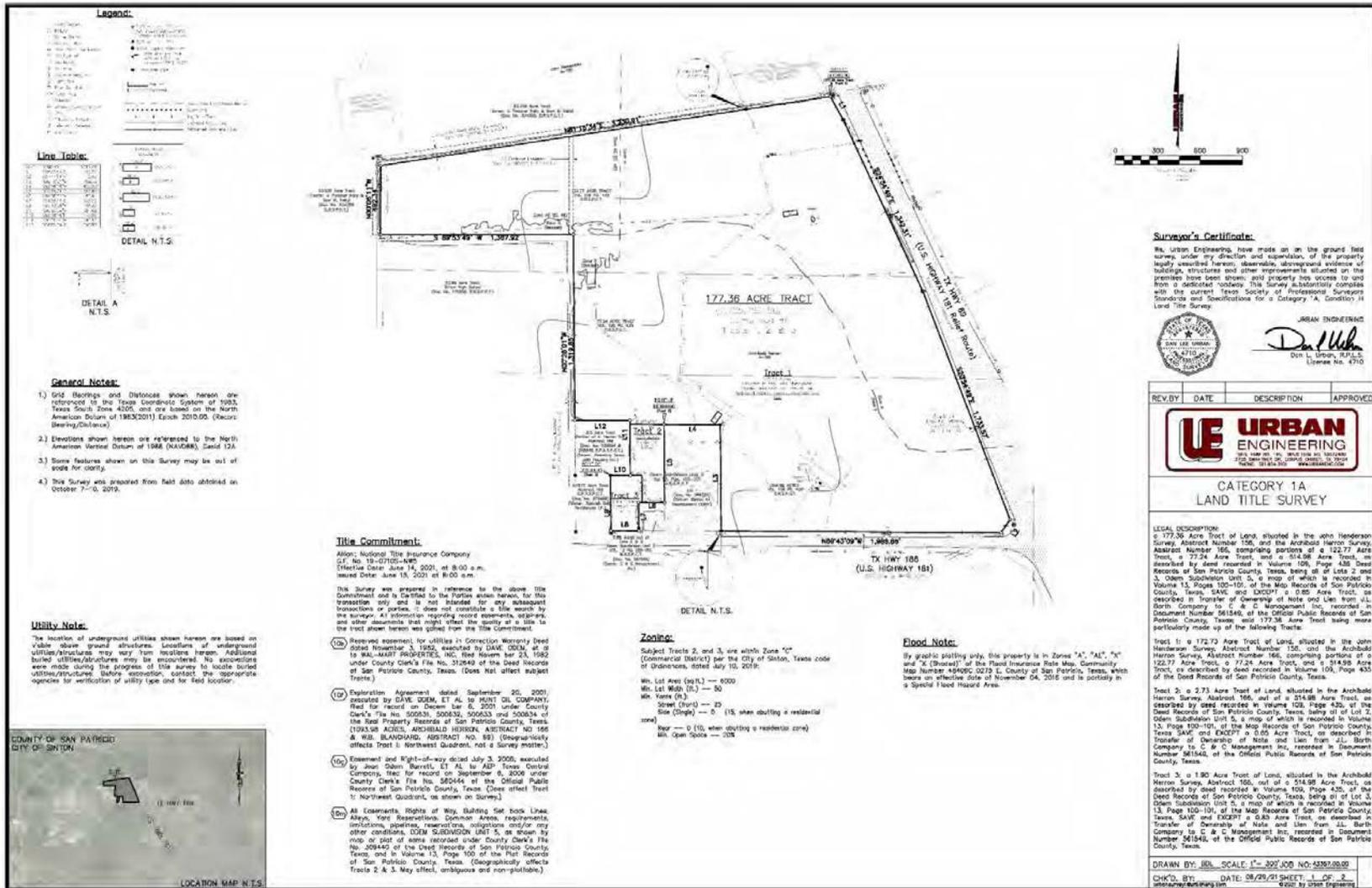












Legend:

- 1/4 Section Boundary
- Section Boundary
- Tract Boundary
- Survey Boundary
- Right-of-Way
- Utility Right-of-Way
- Water
- Other

Line Table:

| Line No. | Description | Length |
|----------|------------------|----------|
| 1 | Section Boundary | 1,367.92 |
| 2 | Section Boundary | 1,367.92 |
| 3 | Section Boundary | 1,367.92 |
| 4 | Section Boundary | 1,367.92 |

DETAIL N.T.S.

DETAIL A N.T.S.

- General Notes:**
- Grid Bearings and Distances shown herein are referenced to the Texas Coordinate System of 1983, Texas South Zone 4205, and are based on the North American Datum of 1983(2011) Epoch 2010.00 (Recent Bearing/Distance).
 - Elevations shown herein are referenced to the North American Vertical Datum of 1988 (NAVD88), Geoid 124.
 - Some features shown on this Survey may be out of scale for clarity.
 - This Survey was prepared from field data obtained on October 7-8, 2018.

Title Commitment:

Alison: National Title Insurance Company
 C.T. No. 19-07105-NAT
 Effective Date: June 14, 2021, at 8:00 a.m.
 Issued Date: June 15, 2021 at 8:00 a.m.

This Survey was prepared in reference to the above Title Commitment and is Certified to the Parties herein for this transaction only and is not intended for any subsequent transactions or parties. It does not constitute a title search by the surveyor. All information regarding record easements, judgments, and other documents that might affect the quality of a title to the tract shown herein was taken from the Title Commitment.

Utility Note:
 The location of underground utilities shown herein are based on visible above ground structures. Locations of underground utilities/structures may vary from locations herein. Additional buried utilities/structures may be encountered. No excavations were made during the progress of this survey to locate buried utilities/structures. Before excavation, contact the appropriate agencies for verification of utility type and for field location.



- (19) Reserved easement for utilities in connection herewith deed dated November 3, 1955, executed by DAVID ODOM, et al. to BAL-MART PROPERTIES, INC. Red No. 23, 1962 under County Clerk's File No. 312849 of the Deed Records of San Patricio County, Texas. (Does Not affect subject Tract.)
- (20) Exploration Agreement dated September 20, 2001 executed by DAVID ODOM, ET AL. to HUNT OIL COMPANY, Red for record on Deed Book 8, 2001 under County Clerk's File No. 500631, 500632, 500633 and 500634 of the Real Property Records of San Patricio County, Texas. (DOES NOT AFFECT, ARCHIBALD HERRON, ABSTRACT NO. 166 & W.B. BLANDIARD, ABSTRACT NO. 88) (Geographically affects Tract 1; Northwest Quarter; not a Survey matter.)
- (21) Easement and Right-of-Way dated July 3, 2008, executed by Jean Oden Barrett, ET AL. to ADP Texas Central Company, Red for record on September 8, 2008 under County Clerk's File No. 580444 of the Official Public Records of San Patricio County, Texas. (Does affect Tract 1; Northwest Quarter, as shown on Survey.)
- (22) All Easements, Rights of Way, Subdividing Sale Book Lines, Alys, Vene Reservations, Common Areas, easements, limitations, appurtenances, reservations, restrictions or any other conditions. DEEM SUBDIVISION UNIT 5, as shown by map or plat of same recorded under County Clerk's File No. 208442 of the Deed Records of San Patricio County, Texas, and in Volume 13, Page 100-101 of the Map Records of San Patricio County, Texas. (Geographically affects Tract 2 & 3. May affect, ambiguous and non-potable.)

Zoning:
 Subject Tracts 2 and 3, are within Zone "C" (Commercial District) per the City of Sinton, Texas code of Ordinances, dated July 10, 2019.
 Min. Lot Area (sq-ft.) — 6000
 Min. Lot Width (ft.) — 50
 Min. Yards (ft.)
 Street (ft.) — 20
 Sign (Single) — 0 (15, when abutting a residential street)
 Sign — 0 (10, when abutting a residential zone)
 Min. Open Space — 20%

Flood Note:
 By graphic plotting only, this property is in Zones "A", "AL", "X" and "X (Shaded)" of the Flood Insurance Rate Map, Community Map Number 48400C, 0273 L, County of San Patricio, Texas, which bears an effective date of November 04, 2016 and is partially in a Special Flood Hazard Area.

Surveyor's Certificate:
 We, Urban Engineers, have made an on the ground field survey, under my direction and supervision, of the property legally described herein, observations, measurements, evidence of buildings, structures and other improvements situated on the premises have been shown, and property has access to and from a dedicated roadway. This survey substantially complies with the current Texas Society of Professional Surveyors Standards and Specifications for a Category "A" Conveyance of Land Title Survey.

JURAN ENGINEERS
 D. M. Urban
 D.M. Urban
 License No. 4710

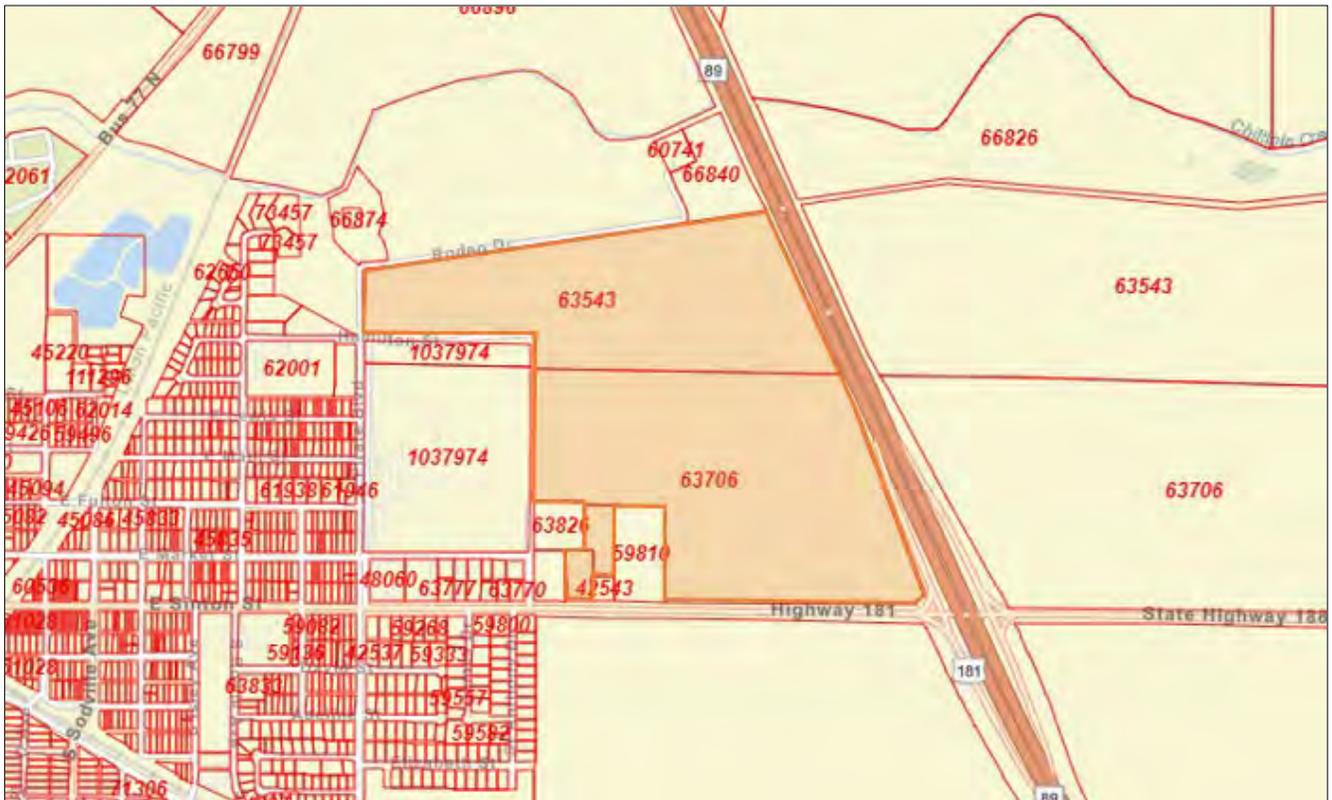
| REV. BY | DATE | DESCRIPTION | APPROVED |
|---------|------|-------------|----------|
| | | | |



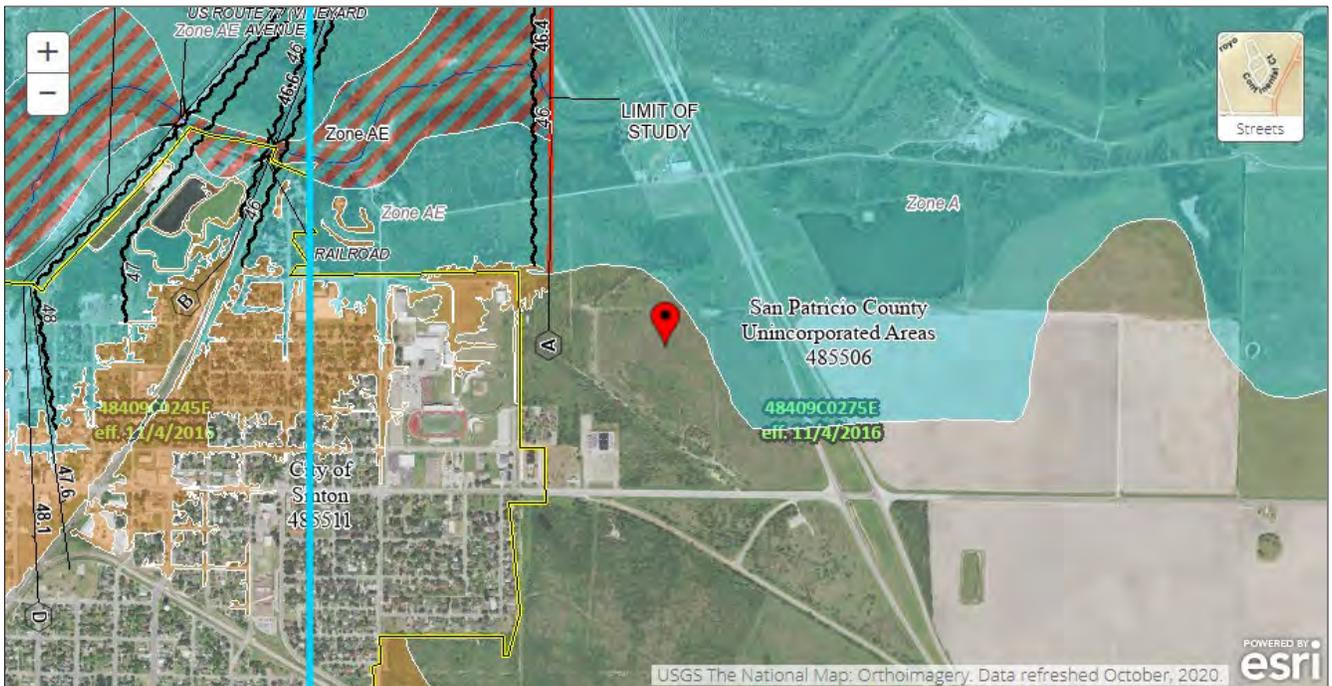
LEGAL DESCRIPTION:
 0.17736 Acre Tract of Land, situated in the John Henderson Survey, Abstract Number 156, and the Archibald Heron Survey, Abstract Number 166, comprising portions of a 122.77 Acre Tract, a 77.24 Acre Tract, and a 54.848 Acre Tract, as described by deed recorded in Volume 109, Page 432, Deed Records of San Patricio County, Texas, being all of Lots 2 and 3, Odom Subdivision Unit 5, a map of which is recorded in Volume 13, Pages 100-101, of the Map Records of San Patricio County, Texas, SAWE and EXCEPT a 0.881 Acre Tract, as described in Transfer of Ownership of Note and Lien from J.L. North Company to C & C Management Inc., recorded in Document Number 261545, of the Official Public Records of San Patricio County, Texas, and 177.36 Acre Tract being more particularly made up of the following tracts:
 Tract 1: a 172.73 Acre Tract of Land, situated in the John Henderson Survey, Abstract Number 156, and the Archibald Heron Survey, Abstract Number 166, comprising portions of a 122.77 Acre Tract, a 77.24 Acre Tract, and a 54.848 Acre Tract, as described by deed recorded in Volume 109, Page 432 of the Deed Records of San Patricio County, Texas.
 Tract 2: a 2.73 Acre Tract of Land, situated in the Archibald Heron Survey, Abstract 166, and of a 214.88 Acre Tract, as described by deed recorded in Volume 109, Page 432, of the Deed Records of San Patricio County, Texas, being all of Lot 3, Odom Subdivision Unit 5, a map of which is recorded in Volume 13, Page 100-101, of the Map Records of San Patricio County, Texas, SAWE and EXCEPT a 0.881 Acre Tract, as described in Transfer of Ownership of Note and Lien from J.L. North Company to C & C Management Inc., recorded in Document Number 261545, of the Official Public Records of San Patricio County, Texas.
 Tract 3: a 1.90 Acre Tract of Land, situated in the Archibald Heron Survey, Abstract 166, and of a 214.88 Acre Tract, as described by deed recorded in Volume 109, Page 432, of the Deed Records of San Patricio County, Texas, being all of Lot 3, Odom Subdivision Unit 5, a map of which is recorded in Volume 13, Page 100-101, of the Map Records of San Patricio County, Texas, SAWE and EXCEPT a 0.881 Acre Tract, as described in Transfer of Ownership of Note and Lien from J.L. North Company to C & C Management Inc., recorded in Document Number 261545, of the Official Public Records of San Patricio County, Texas.

DRAWN BY: JBL, SCALE: 1" = 300' JOB NO: 43827-08-00
 CHK'D BY: DATE: 08/29/21 SHEET: 1 OF 2
 uturban@urbaneng.com ©2021 by Urban Engineers

TAX PLAT



FLOOD MAP



ASSESSMENT AND TAXES

The appraised property is subject to the taxing jurisdiction of the San Patricio County Appraisal District. The applicable tax rates for the taxing jurisdictions and the estimated tax liability for the subject vacant land based on the 2021 tax rates are outlined in the chart below.

A review of the County Assessor's records indicated there are no past due taxes; however, the client should conduct their own research to determine the existence of past due taxes. The existence of delinquent taxes could affect the proceeds from any sale of the property. A summary of the tax rates is shown as follows:

| TAX ACCOUNTS | |
|--|----------------|
| San Patricio County Appraisal District | Account Number |
| Tax ID #1 | 59818 |
| Tax ID #2 | 63543 |
| Tax ID #3 | 63706 |

| TAX RATE SUMMARY | |
|---------------------------------------|-------------------|
| Jurisdiction | 2021 Tax Rate |
| City of Sinton | 0.759300 |
| San Patricio County | 0.416481 |
| San Patricio County Drainage District | 0.061252 |
| San Patricio County Road | 0.078676 |
| Sinton ISD | 1.443000 |
| Total | \$2.758709 |

A list of the subject parent tract tax accounts is summarized in the following table.

| ASSESSMENT & TAX SUMMARY | | |
|---|--------------------|---------------------|
| | 2021 Market Value | 2021 Assessed Value |
| Tax ID No. 59818 | \$166,388 | \$166,388 |
| Tax ID No. 63543 | \$510,424 | \$34,617 |
| Tax ID No. 63706 | \$1,975,867 | \$283,732 |
| Totals | \$2,652,679 | \$484,737 |
| Tax Rate (from above) | | \$2.758709 |
| Annual Tax Burden | | \$13,372 |
| Annual Tax Burden per Gross Acre | | \$75.40 |

The proposed subject lots have not been assessed individually as vacant improved lots by the San Patricio County Appraisal District as of the date of this report. The average Assessed Value for the subject lots for use in the DCF analysis has been estimated based on comparable assessed lot values for similar sized lots held by the developers or homebuilders in the general area of the subject property, as shown in the chart on the following page. The average assessed value for the subject lots is estimated to be \$19,597 per lot.

COMPARABLE LOT ASSESSED VALUE SUMMARY

| Lot | Block | Name | Parcel ID | Size | Total Assessed Value | Assessed Value / SF |
|------------------|-------|---|-----------|-----------------|----------------------|---------------------|
| 13 | 1 | Bay Landing Unit 3 | 1034560 | 11,625 SF | \$27,541 | \$2.37 |
| 20 | 1 | Bay Landing Unit 3 | 1034567 | 9,839 SF | \$25,187 | \$2.56 |
| 29 | 1 | Bay Landing Unit 3 | 1034576 | 7,470 SF | \$24,032 | \$3.22 |
| 28 | 1 | Bay Landing Unit 3 | 1034575 | 7,470 SF | \$24,032 | \$3.22 |
| 11A | 2 | Bay Landing Unit 3 | 1034591 | 7,004 SF | \$23,758 | \$3.39 |
| 7 | 2 | Bay Landing Unit 3 | 1034587 | 6,450 SF | \$23,246 | \$3.60 |
| 4 | 4 | Grand Estates at Northshore Unit 1 | 1032706 | 6,527 SF | \$20,935 | \$3.21 |
| 2 | 1 | Portland Grand Estates at Northshore Unit 1 | 1032661 | 5,210 SF | \$20,935 | \$4.02 |
| 16 | 1 | Portland Grand Estates at Northshore Unit 1 | 1032675 | 6,988 SF | \$20,935 | \$3.00 |
| Averages | | | | 7,620 SF | \$23,400 | \$3.07 |
| Projected | | Somerset PID | | 6,382 SF | \$19,597 | \$3.07 |

HIGHEST AND BEST USE

According to The Dictionary of Real Estate Appraisal, Sixth Edition (2015), a publication of the Appraisal Institute, the highest and best use is defined as:

“The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.”

Highest and Best Use Criteria

The appraisers have evaluated the site's highest and best use as vacant and as proposed. The property's highest and best use must meet four criteria. That use must be (1) legally permissible (2) physically possible, (3) financially feasible, and (4) maximally productive.

Legally Permissible

The first test concerns permitted uses. The appraised property is located in the City of Sinton, and reportedly has authorization from the City to develop the planned mixed-use project. Although development densities may exceed current zoning standards, reportedly the development has been granted waivers. The property is subject to the City of Sinton with adequate waivers in place to complete the development as planned. A development agreement with the City of Sinton has been submitted which will entail approval of the master plan and which will enforce land use restrictions which will become part of the City of Sinton zoning restrictions. The development will become subject to the use requirements set forth in the Master Plan.

Physically Possible

The second test is as to physically possible uses. The appraised property is an acreage site with good street frontages and exposure subject to PID funded utility and infrastructure improvements. The property is planned to be developed with 462 proposed single-family lots on a total of 67.69 acres of land (net buildable area), as well as 9 mixed-use commercial/multi-family land tracts with a gross land area of 75.41 acres. Additionally, there will be approximately 34.27 acres set aside as land to be utilized as drainage/greenspace/interior roadways. Although a variety of uses could be developed on the subject vacant residential land located within the Somerset development, the single-family residential lots represent the most likely physically possible development type based on location, design and lot configuration with the other tracts being utilized for associated neighborhood commercial and mixed use/medium density residential development.

The proposed residential lots are generally rectangular in configuration with generally level terrain and varying lot sizes with lot sizes largely being 50'-55' x 110-115' lots and additional 80' x 120' lots. Although a variety of uses could be developed on the subject vacant land, the proposed single-family residential lots represent the most likely physically possible development type. The single-family lots in Somerset PID will be serviced by utilities from the city of Sinton. The commercial and multi-family land tracts range from rectangular to irregular in configuration with adequate to good street frontage, visibility and access with each being located with frontage and access from an existing street, or Somerset development roadways. The commercial and multi-family sites are each large enough to accommodate a commercial or multi-family development according to the use guidelines from the PID.

Financial Feasibility and Maximal Productivity

The third and fourth tests are considered to be financial feasibility and maximally productive use. After analyzing the physically possible and legally permissible uses of the property, the highest and best use must be considered in light of financial feasibility and maximum productivity.

Based on projected employment growth in the immediate area (primarily due to Steel Dynamics) demand for new housing should increase throughout the projection period (lot sell-out). Based on our site visit and observations of competitive subdivisions and ongoing nearby large-scale industrial development, it appears as though there is growing demand for single-family home lots similar in size to the subject lots with homes in the \$185,000 to over \$225,000 range. Home Builders in the area indicate that home sales have been strong, and that demand remains steady. 236 of the proposed subject lots will be contracted to DR Horton, with an additional letter of intent to purchase 55 lots by MKP Management. It is projected based on market trends and developer reported activity in the immediate area that the appraised lots could be absorbed with complete sell-out of all lots within the 9-quarter projection period.

Conclusion of Highest and Best Use of Land as Vacant

Considering the success of the similar competing subdivisions in the general market area, and considering the demand shown in the market analysis, the highest and best use of the appraised property single-family lots and vacant residential land is for single-family home lot development. The highest and best use of the mixed-use commercial/multi-family sites is for development of free-standing retail/commercial, and/or multi-family complex on each designated tract of land. These uses were shown in the market analysis section of this report to be feasible.

APPRAISAL METHODOLOGY

In appraisal practice, an approach to value is included or omitted based on its applicability to the property type being valued and the quality and quantity of information available.

COST APPROACH

The cost approach is based upon the proposition that the informed purchaser would pay no more for the subject than the cost to produce a substitute property with equivalent utility. This approach is particularly applicable when the property being appraised involves relatively new improvements that represent the highest and best use of the land, or when relatively unique or specialized improvements are located on the site and for which there exist few sales or leases of comparable properties.

SALES COMPARISON APPROACH

The sales comparison approach utilizes sales of comparable properties, adjusted for differences, to indicate a value for the subject. Valuation is typically accomplished using physical units of comparison such as price per square foot, price per unit, price per floor, etc., or economic units of comparison such as gross rent multiplier. Adjustments are applied to the physical units of comparison derived from the comparable sale. The unit of comparison chosen for the subject is then used to yield a total value. Economic units of comparison are not adjusted, but rather analyzed as to relevant differences, with the final estimate derived based on the general comparisons.

INCOME CAPITALIZATION APPROACH

The income capitalization approach reflects the subject's income-producing capabilities. This approach is based on the assumption that value is created by the expectation of benefits to be derived in the future. Specifically estimated is the amount an investor would be willing to pay to receive an income stream plus reversion value from a property over a period of time. The two common valuation techniques associated with the income capitalization approach are direct capitalization and the discounted cash flow (DCF) analysis.

METHODOLOGY APPLICABLE TO THE SUBJECT

In valuing the subject land, the Sales Comparison Approach to market value is considered to be applicable in deriving the market value of the vacant land tracts and has been utilized. For the proposed residential lots, the income approach has been utilized to indicate the value of the lots to an investor based on sell-out of the developed lots at the projected achievable lot sales price, deducting holding costs, sales expenses and other related expenses. The net cash flows have been discounted to present value using a market derived discount rate to reflect the value of the property to and investor based on the sellout of the proposed subject subdivision at completion of the development. The Sales Comparison Approach related to the proposed residential lots, as complete, has not been utilized due to the lack of sales of completed residential subdivisions in the area. In the process of this valuation analysis, Flato has contacted a number of real estate brokers and market participants in the local market. Additionally, for the proposed lots, both the Cost and Income Approaches have been utilized.

The Sales Comparison Approach is the primary valuation technique utilized in valuing the individual commercial and multi-family tracts.

The market has been researched using county deed records, interviewing active real estate brokers, available statistics and other contact sources. These sources have been contacted and interviewed extensively with reference to confirmation of market information, sales, absorption, and general perceptions and have been utilized in each of the valuation approaches to follow.

VALUATION OF THE SUBJECT LAND (AS-IS)

The appraised property encompasses a gross area of 177.36 acres and is located along the northwest corner of Highway 89 and Highway 181, in the eastern sector of the City of Sinton. The land is valued here for use in the Sales Comparison Approach pertaining to the As-Is value of the subject property.

The sales comparison approach is one of three traditional approaches to value whereby an opinion of value is derived by analyzing closed sales, listings, or pending sales of properties that are similar to the subject. This approach is based primarily upon the principle of substitution, whereby a prudent purchaser will not pay more for any particular property than it would cost to acquire an equally desirable alternate property. Inherent to the applicability of this approach is that a market exists for the subject property type. It also presumes that there is sufficient data on recent market transactions for comparison purposes. In this sales comparison analysis, the price per unit is used as it mirrors that of most market participants when making residential investment decisions.

Flato Realty Advisors has researched sales and listings of similar tracts of undeveloped land proposed for future residential development and/or mixed-use development located in the general market area of the subject, as well as similar market areas within the region. Seven sales of vacant tracts of land purchased for residential or mixed-use development have been confirmed in the general market area and similar market areas within the region.

VACANT RESIDENTIAL LAND ANALYSIS

The sales range in pricing from \$31,542 to \$47,405 per acre, and in total land area from 30.00 to 193.66 acres. Although the sales differ widely in terms of size, these sales are judged to be the most meaningful recent sales confirmed considering location, proposed land development, accessibility, recency of transaction, etc.

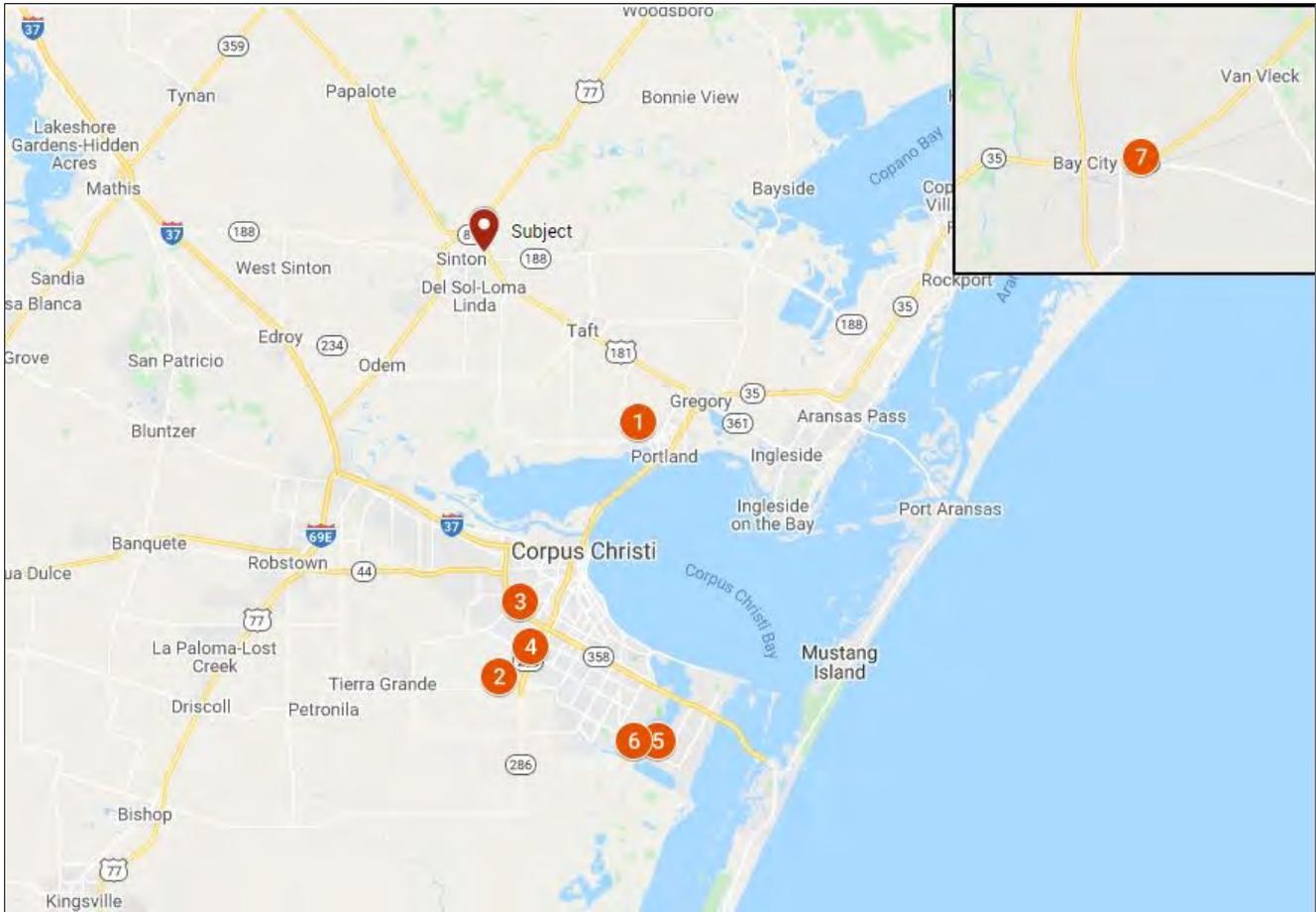
RESIDENTIAL LAND sales SUMMARY

The land sales are summarized on the following page. Individual sale details are included in the Addenda. The locations of the land sales are outlined in the map following the land sales summary.

| LAND SALES SUMMARY - AS IS | | | | | | | | |
|----------------------------|---|---|--------------------------------|--|--|---------------------------------|------------------------------|-------------------------------------|
| | Subject | Land Sale No. 1 | Land Sale No. 2 | Land Sale No. 3 | Land Sale No. 4 | Land Sale No. 5 | Land Sale No. 6 | Land Sale No. 7 |
| ID | 7068 | 7098 | 6919 | 7097 | 7172 | 6917 | 6533 | 7105 |
| Property Name | Somerset PID | Undeveloped Portland Master Planned Community Tract | 145.50 Acre Tract of Land | Corpus Christi Undeveloped Commercial Land | Undeveloped Residential Land: Lands Road | 34.20 Acre Tract of Land | 8000 Yorktown Blvd | Bay City Mixed Use Development Land |
| Address | NW/C of Highway 89 and Highway 181 | NW of CR 81 and CR 70 | County Road 33 (On Oso Creek) | NE of SPID and Old Brownsville Road | Terminus of Lands Road | Wraps NE/C Ramfield and Roscher | 8000 Yorktown Boulevard | NW of Hwy 35 and Old Van Vleck Road |
| City | Sinton | Portland | Corpus Christi | Corpus Christi | Corpus Christi | Corpus Christi | Corpus Christi | Bay City |
| County | San Patricio | San Patricio | Nueces | Nueces | Nueces | Nueces | Nueces | Matagorda |
| State | Texas | Texas | Texas | Texas | Texas | Texas | Texas | Texas |
| Transaction Type | -- | Closed Sale | Closed Sale | Closed Sale | Closed Sale | Closed Sale | Closed Sale | Closed Sale |
| Financing | -- | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller |
| Topography | Generally level to gently rolling with low-lying interior areas | Level | Generally Level | Level | Generally level | Generally Level | Generally Level | Generally level |
| Shape | Irregular | Near Rectangular | Irregular | Irregular | Irregular | Irregular | Irregular | Irregular |
| Utilities | Public Available Nearby | Public Available Nearby | Electricity, water | Public Available Nearby | Public Available Nearby | Electricity, water | None | Public Available Nearby |
| Zoning | R-1, C, R-2 | R-6 | OCL | CN-1, CG-2 | RS-6 | RS-22, FR | CG-2 | Unrestricted |
| Grantor | -- | Don and Debra Duprie | Jennifer Michelle Camp Johnson | Doyle and Judy Hobbs, et. al. | Zeba, LLC and Seaside Builders, LLC | James Urban, et al | Edward M. Cantu, et al | Ann Uher, et. al. |
| Grantee | -- | Wildcat Republic, LLC | V2 Ventures, LLC | Next Sports Company, LLC | MVR Construction Company | Mostaghasi Hossein, et al | Mostaghasi Enterprises, Inc. | Not yet recorded |
| Sale Date | -- | 5/4/2021 | 5/7/2021 | 5/20/2021 | 2/12/2021 | 6/8/2021 | 12/9/2019 | 7/1/2021 |
| Sale Price | -- | \$6,959,700 | \$5,388,400 | \$2,000,000 | \$1,200,000 | \$1,078,620 | \$1,372,000 | \$1,882,915 |
| Gross Land Area (Acres) | 177.36 Acres | 193.66 Acres | 145.50 Acres | 42.19 Acres | 34.96 Acres | 34.20 Acres | 30.00 Acres | 51.89 Acres |
| Sale Price per Acre | -- | \$35,938 | \$37,034 | \$47,405 | \$34,325 | \$31,542 | \$45,733 | \$36,284 |
| Verification | -- | Broker | Broker | Broker | Broker | Broker | Broker | Broker |

LAND SALES MAP

The following map provides a visual of the land sales' locations relative to the subject.



LAND SALES DISCUSSION

It is noted that the market is beginning to reflect an increase in the number of recent land sales proposed for future residential development in the general market area and region, as demand for single-family homes is increasing and new subdivisions are being developed. Seven land sales are considered. The sales range in date from 2019 to 2021, in size from 30.00 to 193.66 acres, and in price from \$31,542 to \$47,405 per acre.

ADJUSTMENT PROCESS

Due to the imperfect nature of real estate markets, we have analyzed the comparables through the application of adjustments based on qualitative comparison. The adjustments made are subjective and are based on market evidence as well the appraiser's research, judgment and experience. The adjustments are not based on a quantitative analysis tool such as "paired sales" due to the lack of paired sales data; or on multiple regression analysis, due to the lack of enough comparable sales to constitute a statistically valid sample. Therefore, the percentage adjustments summarized on the following grid should be viewed as conveying the degree of subjective adjustment applied, and not the result of a quantitative analysis. Finally, the percentage adjustments applied are reflective of different base numbers, to avoid distortion.

In our final rating of the comparable sales, we have considered the following items of comparability in forming our opinion of land value for the subject.

Property Rights Conveyed

All of the sales utilized in this analysis involved the transfer of the fee simple interest. All of the sales have similar property rights; no adjustments are applied.

Financial Terms

To the best of our knowledge, all of the sales utilized in this analysis were accomplished with cash and/cash down to market-oriented financing. All of the sales have similar financing; no adjustments are applied.

Conditions of Sale

Adjustments for conditions of sale usually reflect the motivations of the buyer and the seller. In many situations, the conditions of sale may significantly affect transaction prices. All of the sales used in this analysis are considered to be "arms-length" market transactions between both knowledgeable buyers and sellers on the open market. All of the sales have similar conditions of sale; no adjustments are applied.

Market Conditions

This factor considers the differences in market conditions between the time of the comparable sale and the subject's date of value. For example, a comparable property which sold during a time of better market conditions would be superior to the subject as of the date of value.

The sales occurred between 2019 and 2021. Upward adjustments are applied for market conditions (time) to Sale No. 6, which occurred in December 2019. The remaining sales occurred in 2021, no adjustments are applied. The land market in the area has continued to improve from 2019 through 2021.

Location

An adjustment for location is required when the location characteristics of a comparable property are different from those of the subject property. The appraised property is located along the northwest corner of Highway 89 and Highway 181, along the eastern boundary line of Sinton, in San Patricio County. Sale No. 1 is located in Portland, within a superior area (considering local area land development), no adjustment is applied. Sale Nos. 2, 3, 4, 5 and 6 are located within Corpus Christi, a superior area compared to Sinton (greater amounts of surrounding development and overall higher land values), downward adjustments are applied. Sale No. 7 is located within Bay City, in Matagorda County; although Sale No. 7 is further removed from the subject, Bay City is generally similar to Sinton as far as proximity to neighboring larger cities, smaller population, coastal area, etc. Sale No. 7 is judged to feature slightly inferior location, an upward adjustment is applied.

Frontage/Access/Exposure

The subject property features frontage/access/exposure along Highway 89 and Highway 181, two prominent multi-lane thoroughfares that are well-travelled. It is noted that it is not entirely common for residential land development tracts to feature such extensive highway frontage, with most developments typically featuring more narrow accessibility to larger thoroughfares with residential development set back from the more major roadways. Tracts which feature a higher frontage ratio along more prominent multi-lane thoroughfares are considered to be superior to tracts which feature more limited accessibility along secondary roadways.

Sale No. 3 features superior frontage/access/exposure; a downward adjustment is applied. The remaining sales feature inferior frontage/access/exposure; upward adjustments are applied.

Size

The size adjustment generally reflects the inverse relationship expressed between unit price and lot size. Smaller lots tend to sell for higher unit prices than larger lots, and vice versa. Hence, positive adjustments were made to larger land parcels, and negative adjustments were made to smaller land parcels when deemed appropriate.

Sale No. 1 is similar in size; no adjustment is applied. The remaining sales are smaller than the subject property; downward adjustments are applied.

Shape

The appraised property is irregular in shape. Sale No. 1 features superior, near rectangular shape; a downward adjustment is applied. Sale Nos. 2, 4, 6 and 7 feature similar, irregular shape, no adjustments are applied. Sale Nos. 3 and 5 feature more irregular shape; upward adjustments are applied.

Topography/Vegetation

The topography/vegetation of a site can greatly affect the value due to increased site work costs to level the entirety of the site area, clear dense brush and tree cover, implement drainage due to change in site topography, etc. The subject property is generally level to gently rolling in topography with low-lying areas interspersed throughout the site. Interior vegetation of the subject consists of scattered to dense native brush and tree cover. Sale Nos. 1, 2, 3, 4 and 6 feature superior topography/vegetation (more level, more cleared interior site area) and are adjusted downward. Sale Nos. 5 and 7 feature similar topography/vegetation, no adjustments are applied.

Utilities to Site

The presence or lack of available utilities can be a key factor affecting land sales. The subject features public utilities to the border of the site, which is considered more common for tracts within developing areas of cities. Sale Nos. 1, 2, 3, 4, 6 and 7 feature similar utility access to the border of the individual sites, no adjustments are applied. Sale No. 5 features onsite utilities, a downward adjustment is applied.

Zoning

The subject property is currently located outside of city limits and will be zoned for residential, commercial and multifamily use upon site development approved by the City of Sinton. Sale Nos. 1, 3, 4 and 5 feature inferior zoning, upward adjustments are applied. Sale Nos. 2 and 7 feature similar zoning, no adjustments are applied. Sale No. 6 features superior zoning, a downward adjustment is applied.

SUMMARY OF ADJUSTMENTS

Based on the comparative analysis, the table on the following page summarizes the adjustments warranted to each land sale.

Land Value Conclusion: As-Is

Prior to adjustments, the land sales indicated prices ranging from \$31,542 to \$47,405 per acre with an average of \$38,323 per acre. After adjustments, the land sales indicate the value of the subject site to be in the range of \$31,542 to \$38,098 with an average of \$34,609 per acre. The concluded land value is **\$34,750**

per acre. The sales utilized were the best sales available as of the date of appraisal and the adjustments are believed to be valid based on our knowledge of the market and comparable land sales we have analyzed.

Based upon our analysis of the land sales and knowledge of the local real estate market, we conclude that the indicated "As-Is" market value of the subject property (pre-development) vacant land (rounded) as of the effective date of value by the sales comparison approach is **\$6,165,000**.

The Land Sales Adjustment Analysis is included below.

| LAND SALES COMPARISON ADJUSTMENT ANALYSIS - AS IS | | | | | | | | |
|---|------------------------------------|-----------------------|--------------------------------|-------------------------------------|-------------------------------------|---------------------------------|------------------------------|-------------------------------------|
| Comparable | Subject | Land Sale No. 1 | Land Sale No. 2 | Land Sale No. 3 | Land Sale No. 4 | Land Sale No. 5 | Land Sale No. 6 | Land Sale No. 7 |
| Record ID | 7068 | 7098 | 6919 | 7097 | 7172 | 6917 | 6533 | 7105 |
| Address | NW/C of Highway 89 and Highway 181 | NW of CR 81 and CR 70 | County Road 33 (On Oso Creek) | NE of SPID and Old Brownsville Road | Terminus of Lands Road | Wraps NE/C Ramfield and Roscher | 8000 Yorktown Boulevard | NW of Hwy 35 and Old Van Vleck Road |
| City | Sinton | Portland | Corpus Christi | Corpus Christi | Corpus Christi | Corpus Christi | Corpus Christi | Bay City |
| County | San Patricio | San Patricio | Nueces | Nueces | Nueces | Nueces | Nueces | Matagorda |
| Transaction Type | -- | Closed Sale | Closed Sale | Closed Sale | Closed Sale | Closed Sale | Closed Sale | Closed Sale |
| Financing | -- | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller |
| Grantor | -- | Don and Debra Duprie | Jennifer Michelle Camp Johnson | Doyle and Judy Hobbs, et. al. | Zeba, LLC and Seaside Builders, LLC | James Urban, et al | Edward M. Cantu, et al | Ann Uher, et. al. |
| Grantee | -- | Wildcat Republic, LLC | V2 Ventures, LLC | Next Sports Company, LLC | MVR Construction Company | Mostaghasi Hossein, et al | Mostaghasi Enterprises, Inc. | Not yet recorded |
| Sale Date | -- | 5/4/2021 | 5/7/2021 | 5/20/2021 | 2/12/2021 | 6/8/2021 | 12/9/2019 | 7/1/2021 |
| Sale Price | -- | \$6,959,700 | \$5,388,400 | \$2,000,000 | \$1,200,000 | \$1,078,620 | \$1,372,000 | \$1,882,915 |
| Land Area (Acres) | 177.36 Ac. | 193.66 Ac. | 145.50 Ac. | 42.19 Ac. | 34.96 Ac. | 34.20 Ac. | 30.00 Ac. | 51.89 Ac. |
| Sale Price per Acre | -- | \$35,938 | \$37,034 | \$47,405 | \$34,325 | \$31,542 | \$45,733 | \$36,284 |
| Transaction Adjustments | | | | | | | | |
| | | Similar | Similar | Similar | Similar | Similar | Similar | Similar |
| Property Rights | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Financing | | Similar | Similar | Similar | Similar | Similar | Similar | Similar |
| Conditions of Sale | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Market Conditions (Time) | | Similar | Similar | Similar | Similar | Similar | Inferior | Similar |
| Total Transaction Adjustments | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 7.50% | 0.00% |
| Subtotal (per Acre) | | \$35,938 | \$37,034 | \$47,405 | \$34,325 | \$31,542 | \$49,163 | \$36,284 |
| Physical Adjustments | | | | | | | | |
| | | Similar | Superior | Superior | Superior | Superior | Superior | Inferior |
| Location | | 0.00% | -5.00% | -10.00% | -10.00% | -5.00% | -10.00% | 5.00% |
| Frontage/Access/Exposure | | Inferior | Inferior | Superior | Inferior | Inferior | Inferior | Inferior |
| Size | | 15.00% | 15.00% | -5.00% | 20.00% | 15.00% | 10.00% | 15.00% |
| Shape | | Similar | Superior | Superior | Superior | Superior | Superior | Superior |
| Topography/Vegetation | | 0.00% | -2.50% | -17.50% | -20.00% | -20.00% | -20.00% | -15.00% |
| Utilities to Site | | Superior | Similar | Inferior | Similar | Inferior | Similar | Similar |
| Zoning | | -10.00% | 0.00% | 10.00% | 0.00% | 15.00% | 0.00% | 0.00% |
| Total Physical Adjustments | | Superior | Superior | Superior | Superior | Similar | Superior | Similar |
| Overall Qualitative Adjustment | | -10.00% | -10.00% | -10.00% | -2.50% | 0.00% | -5.00% | 0.00% |
| Indicated Value per Acre | | Similar | Similar | Similar | Similar | Superior | Superior | Similar |
| | | 0.00% | 0.00% | 0.00% | 0.00% | -10.00% | 0.00% | 0.00% |
| | | 5.00% | 0.00% | 2.50% | 5.00% | 5.00% | -2.50% | 0.00% |
| | | Similar | Superior | Superior | Superior | Similar | Superior | Inferior |
| | | 0.00% | -2.50% | -30.00% | -7.50% | 0.00% | -27.50% | 5.00% |
| | | Similar | Superior | Superior | Superior | Similar | Superior | Inferior |
| Indicated Value per Acre | | \$35,938 | \$36,108 | \$33,183 | \$31,751 | \$31,542 | \$35,643 | \$38,098 |

VALUATION OF THE SUBJECT RESIDENTIAL LAND (Tract 1)

The appraised property residential land, being Tract 1, encompasses a gross area of 101.95 acres, or 67.55 net usable acres to be developed with single-family residential lots. The residential land is valued here for use in the Cost Approach.

Due to the fact that the residential land valuation is similar to the overall as-is land valuation (due to similar proposed use and investment type as well as physical attributes) the same sales utilized within the as-is land value are utilized in the analysis of the subject residential tract (Tract 1). Since the adjustments are all basically the same for both tracts, with the exception of the size and frontage/access/exposure adjustments, only the differing categories are discussed. A land sale adjustment grid is included following the sales discussion.

VACANT RESIDENTIAL LAND ANALYSIS

The sales range in pricing from \$31,542 to \$47,405 per acre and in total land area from 30.00 to 193.66 acres. Although the sales differ widely in terms of size, these sales are judged to be the most meaningful recent sales confirmed considering location, proposed land development, accessibility, recency of transaction, etc.

RESIDENTIAL LAND SALES SUMMARY

The land sales are summarized on the following page. Individual sale details are included in the Addenda. The locations of the land sales are outlined in the map within the as-is land valuation section.

| LAND SALES SUMMARY - RESIDENTIAL LAND | | | | | | | | |
|---------------------------------------|---|---|--------------------------------|--|--|---------------------------------|-------------------------------|-------------------------------------|
| | Subject | Land Sale No. 1 | Land Sale No. 2 | Land Sale No. 3 | Land Sale No. 4 | Land Sale No. 5 | Land Sale No. 6 | Land Sale No. 7 |
| ID | 7068 | 7098 | 6919 | 7097 | 7172 | 6917 | 6533 | 7105 |
| Property Name | Somerset PID | Undeveloped Portland Master Planned Community Tract | 145.50 Acre Tract of Land | Corpus Christi Undeveloped Commercial Land | Undeveloped Residential Land: Lands Road | 34.20 Acre Tract of Land | 8000 Yorktown Blvd | Bay City Mixed Use Development Land |
| Address | NW/C of Highway 89 and Highway 181 | NW of CR 81 and CR 70 | County Road 33 (On Oso Creek) | NE of SPID and Old Brownsville Road | Terminus of Lands Road | Wraps NE/C Ramfield and Roscher | 8000 Yorktown Boulevard | NW of Hwy 35 and Old Van Vleck Road |
| City | Sinton | Portland | Corpus Christi | Corpus Christi | Corpus Christi | Corpus Christi | Corpus Christi | Bay City |
| County | San Patricio | San Patricio | Nueces | Nueces | Nueces | Nueces | Nueces | Matagorda |
| Transaction Type | -- | Closed Sale | Closed Sale | Closed Sale | Closed Sale | Closed Sale | Closed Sale | Closed Sale |
| Financing | -- | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller |
| Topography | Generally level to gently rolling with low-lying interior areas | Level | Generally Level | Level | Generally level | Generally Level | Generally Level | Generally level |
| Shape | Irregular | Near Rectangular | Irregular | Irregular | Irregular | Irregular | Irregular | Irregular |
| Utilities | Public Available Nearby | Public Available Nearby | Electricity, water | Public Available Nearby | Public Available Nearby | Electricity, water | None | Public Available Nearby |
| Zoning | R-1 | R-6 | OCL | CN-1, CG-2 | RS-6 | RS-22, FR | CG-2 | Unrestricted |
| Grantor | -- | Don and Debra Duprie | Jennifer Michelle Camp Johnson | Doyle and Judy Hobbs, et. al. | Zeba, LLC and Seaside Builders, LLC | James Urban, et al | Edward M. Cantu, et al | Ann Uher, et. al. |
| Grantee | -- | Wildcat Republic, LLC | V2 Ventures, LLC | Next Sports Company, LLC | MVR Construction Company | Mostaghassi Hossein, et al | Mostaghassi Enterprises, Inc. | Not yet recorded |
| Sale Date | -- | 5/4/2021 | 5/7/2021 | 5/20/2021 | 2/12/2021 | 6/8/2021 | 12/9/2019 | 7/1/2021 |
| Sale Price | -- | \$6,959,700 | \$5,388,400 | \$2,000,000 | \$1,200,000 | \$1,078,620 | \$1,372,000 | \$1,882,915 |
| Gross Land Area (Acres) | 67.69 Acres | 193.66 Acres | 145.50 Acres | 42.19 Acres | 34.96 Acres | 34.20 Acres | 30.00 Acres | 51.89 Acres |
| Sale Price per Acre | -- | \$35,938 | \$37,034 | \$47,405 | \$34,325 | \$31,542 | \$45,733 | \$36,284 |
| Verification | -- | Broker | Broker | Broker | Broker | Broker | Broker | Broker |

LAND SALES DISCUSSION

It is noted that the market is beginning to reflect an increase in the number of recent land sales proposed for future residential development in the general market area and region, as demand for single-family homes is increasing and new subdivisions are being developed. Seven land sales are considered. The sales range

in date from 2019 to 2021, in size from 30.00 to 193.66 acres, and in price from \$31,542 to \$47,405 per acre.

ADJUSTMENT PROCESS

Due to the imperfect nature of real estate markets, we have analyzed the comparables through the application of adjustments based on qualitative comparison. The adjustments made are subjective and are based on market evidence as well the appraiser's research, judgment and experience. The adjustments are not based on a quantitative analysis tool such as "paired sales" due to the lack of paired sales data; or on multiple regression analysis, due to the lack of enough comparable sales to constitute a statistically valid sample. Therefore, the percentage adjustments summarized on the following grid should be viewed as conveying the degree of subjective adjustment applied, and not the result of a quantitative analysis. Finally, the percentage adjustments applied are reflective of different base numbers, to avoid distortion.

Due to the similar nature of Tract 1 and the as-is tract, the same sales are utilized within the adjustment analysis of both tracts. Tract 1 is similar in property rights, financing, conditions of sale, market conditions (time), location, shape, topography/vegetation, utilities to site, and zoning, and are adjusted to the same percentages. Therefore, the differing categories (frontage/access/exposure and size) are discussed.

Frontage/Access/Exposure

An adjustment for location is required when the location characteristics of a comparable property are different from those of the subject property. The appraised property is located northwest of Highway 89 and Highway 181 with access via secondary roads extending east to Highway 89 and south to Highway 181. Sale Nos. 1, 2, 4, 5 and 7 feature inferior frontage/access/exposure, upward adjustments are applied. Sale No. 3 feature superior frontage/access/exposure, a downward adjustment is applied. Sale No. 6 features similar frontage/access/exposure, no adjustment is applied.

Size

The size adjustment generally reflects the inverse relationship expressed between unit price and lot size. Smaller lots tend to sell for higher unit prices than larger lots, and vice versa. Hence, positive adjustments were made to larger land parcels, and negative adjustments were made to smaller land parcels when deemed appropriate. Sale Nos. 1 and 2 are larger than the subject, upward adjustments are applied. The remaining sales are smaller than the subject, downward adjustments are applied.

SUMMARY OF ADJUSTMENTS

Based on the comparative analysis, the table on the following page summarizes the adjustments warranted to each land sale.

LAND VALUE CONCLUSION- RESIDENTIAL LAND (TRACT 1)

Prior to adjustments, the land sales indicated prices ranging from \$31,542 to \$47,405 per acre with an average of \$38,323 per acre. After adjustments, the land sales indicate the value of the subject site to be in the range of \$32,331 to \$39,005 with an average of \$35,579 per acre. The concluded prospective value of Tract 1 is **\$35,575** per acre. The sales utilized were the best sales available as of the date of appraisal and

the adjustments are believed to be valid based on our knowledge of the market and comparable land sales we have analyzed.

Based upon our analysis of the land sales and knowledge of the local real estate market, we conclude that the indicated market value of the vacant land (rounded) for use in the Cost Approach as of the effective date of value by the underlying land by the sales comparison approach is **\$2,410,000**. *The concluded land value for Tract 1 is utilized in the Cost Approach considering the benefit of utility improvements to the property.*

The Land Sales Adjustment Analysis is included below.

"AS DEVELOPED" CONCLUSION - TRACT 1: RES. LAND

Indicators

| | |
|-----------------------------------|--------------------|
| Subject Land Area - Acres | 67.69 Ac. |
| Reconciled Land Value per Acre | \$35,575 |
| Reconciled Land Value (Rd) | \$2,410,000 |

| LAND SALES COMPARISON ADJUSTMENT ANALYSIS - TRACT 1: RESIDENTIAL LAND | | | | | | | | |
|---|------------------------------------|---|--------------------------------|--|--|---------------------------------|------------------------------|-------------------------------------|
| Comparable | Subject | Land Sale No. 1 | Land Sale No. 2 | Land Sale No. 3 | Land Sale No. 4 | Land Sale No. 5 | Land Sale No. 6 | Land Sale No. 7 |
| Property Name | Somerset PID | Undeveloped Portland Master Planned Community Tract | 145.50 Acre Tract of Land | Corpus Christi Undeveloped Commercial Land | Undeveloped Residential Land: Lands Road | 34.20 Acre Tract of Land | 8000 Yorktown Blvd | Bay City Mixed Use Development Land |
| Address | NW/C of Highway 89 and Highway 181 | NW of CR 81 and CR 70 | County Road 33 (On Oso Creek) | NE of SPID and Old Brownsville Road | Terminus of Lands Road | Wraps NE/C Ramfield and Roscher | 8000 Yorktown Boulevard | NW of Hwy 35 and Old Van Vleck Road |
| City | Sinton | Portland | Corpus Christi | Corpus Christi | Corpus Christi | Corpus Christi | Corpus Christi | Bay City |
| County | San Patricio | San Patricio | Nueces | Nueces | Nueces | Nueces | Nueces | Matagorda |
| Transaction Type | -- | Closed Sale | Closed Sale | Closed Sale | Closed Sale | Closed Sale | Closed Sale | Closed Sale |
| Financing | -- | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller |
| Grantor | -- | Don and Debra Duprie | Jennifer Michelle Camp Johnson | Doyle and Judy Hobbs, et. al. | Zeba, LLC and Seaside Builders, LLC | James Urban, et al | Edward M. Cantu, et al | Ann Uher, et. al. |
| Grantee | -- | Wildcat Republic, LLC | V2 Ventures, LLC | Next Sports Company, LLC | MVR Construction Company | Mostaghasi Hossein, et al | Mostaghasi Enterprises, Inc. | Not yet recorded |
| Sale Date | -- | 5/4/2021 | 5/7/2021 | 5/20/2021 | 2/12/2021 | 6/8/2021 | 12/9/2019 | 7/1/2021 |
| Sale Price | -- | \$6,959,700 | \$5,388,400 | \$2,000,000 | \$1,200,000 | \$1,078,620 | \$1,372,000 | \$1,882,915 |
| Gross Land Area (Acres) | 67.69 Ac. | 193.66 Ac. | 145.50 Ac. | 42.19 Ac. | 34.96 Ac. | 34.20 Ac. | 30.00 Ac. | 51.89 Ac. |
| Sale Price per Acre | -- | \$35,938 | \$37,034 | \$47,405 | \$34,325 | \$31,542 | \$45,733 | \$36,284 |
| Transaction Adjustments | | | | | | | | |
| Property Rights | | Similar | Similar | Similar | Similar | Similar | Similar | Similar |
| Financing | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Conditions of Sale | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Market Conditions (Time) | | Similar | Similar | Similar | Similar | Similar | Inferior | Similar |
| Total Transaction Adjustments | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 7.50% | 0.00% |
| Subtotal (per Acre) | | \$35,938 | \$37,034 | \$47,405 | \$34,325 | \$31,542 | \$49,163 | \$36,284 |
| Physical Adjustments | | | | | | | | |
| Location | | Similar | Superior | Superior | Superior | Superior | Superior | Inferior |
| Frontage/Access/Exposure | | 0.00% | -5.00% | -10.00% | -10.00% | -5.00% | -10.00% | 5.00% |
| Size | | Inferior | Inferior | Superior | Inferior | Inferior | Similar | Inferior |
| Shape | | 5.00% | 5.00% | -15.00% | 10.00% | 5.00% | 0.00% | 5.00% |
| Topography/Vegetation | | Inferior | Inferior | Superior | Superior | Superior | Superior | Superior |
| Utilities to Site | | 12.50% | 10.00% | -5.00% | -7.50% | -7.50% | -7.50% | -2.50% |
| Zoning | | Superior | Similar | Inferior | Similar | Inferior | Similar | Similar |
| Total Physical Adjustments | | -10.00% | 0.00% | 10.00% | 0.00% | 15.00% | 0.00% | 0.00% |
| Overall Qualitative Adjustment | | Superior | Superior | Superior | Superior | Similar | Superior | Similar |
| Indicated Value per Acre | | 0.00% | 0.00% | 0.00% | 0.00% | -10.00% | 0.00% | 0.00% |
| | | Inferior | Superior | Superior | Superior | Inferior | Superior | Inferior |
| | | 5.00% | 0.00% | 2.50% | 5.00% | 5.00% | -2.50% | 0.00% |
| | | Inferior | Superior | Superior | Superior | Inferior | Superior | Inferior |
| | | 2.50% | 0.00% | -27.50% | -5.00% | 2.50% | -25.00% | 7.50% |
| | | \$36,836 | \$37,034 | \$34,368 | \$32,609 | \$32,331 | \$36,873 | \$39,005 |

SEVEN TRACTS OF VACANT COMMERCIAL LAND ANALYSIS (TRACTS 2-8)

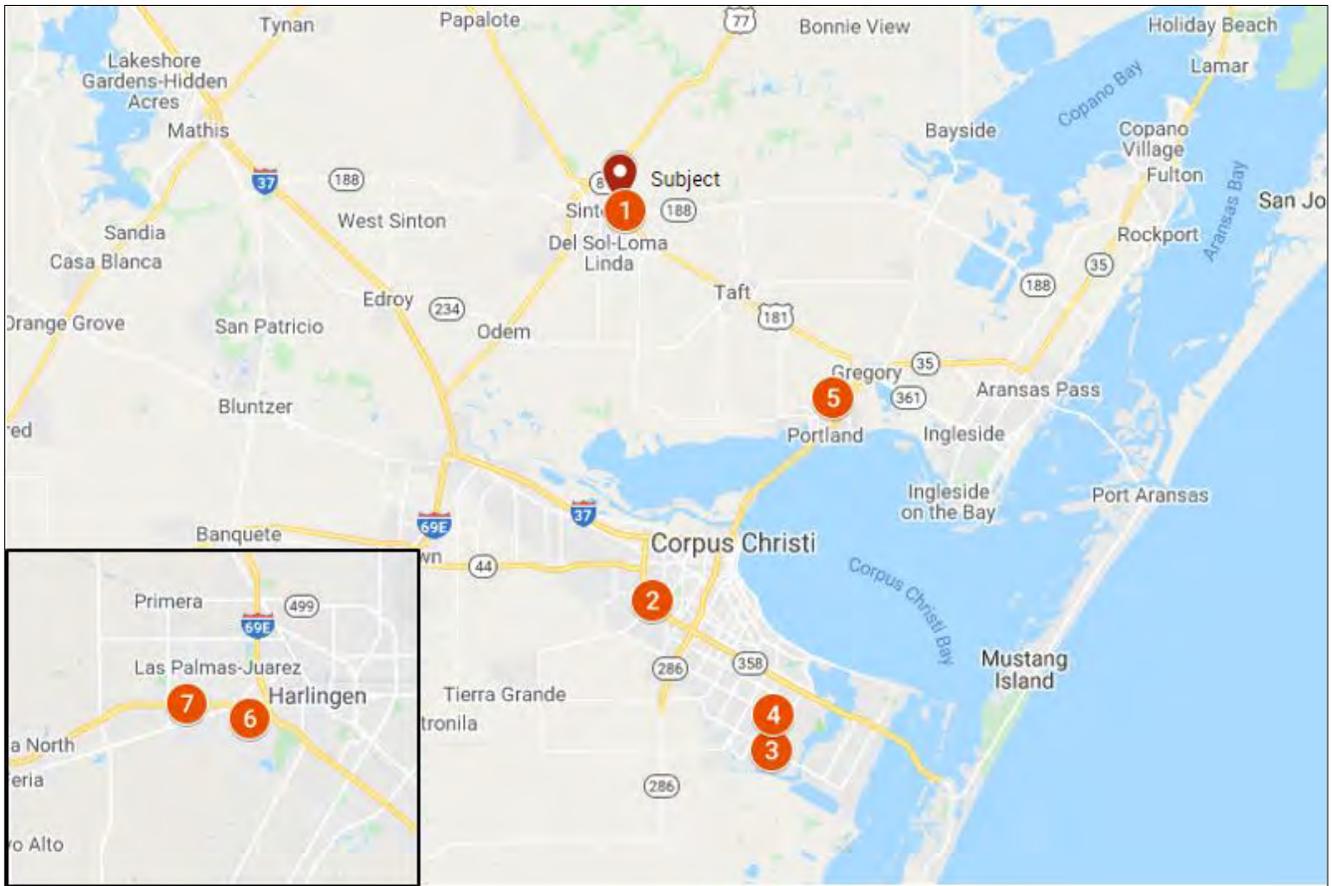
The same group of sales have been utilized in the valuation of the commercial tracts. The subject includes eight tracts vacant commercial land described previous in the Land Analysis. Tract No. 2 contains 7.26 acres and is located along the northwest corner of Highway 89 and Goodnight Trail (proposed roadway). Tract No. 3 contains 9.39 acres and is located along the southwest corner of Highway 89 and Goodnight Trail. Tract No. 4 contains 3.32 acres and is located along the southwest corner of Highway 89 and Wagon Wheel (proposed roadway). Tract No. 5 contains 5.00 acres and is located along the northwest corner of Highway 89 and Highway 181. Tract No. 6 contains 10.00 acres and is located along the northeast corner of Highway 181 and North Somerset Boulevard (proposed roadway). Tract No. 7 contains 5.30 acres and is located along the northwest corner of Highway 181 and North Somerset Boulevard. Tract No. 8 contains 4.63 acres and is located northeast of Highway 181 and Tooter Newlin Drive, adjoining the Spanish Oaks of Sinton multifamily development

An extensive search for comparable commercial and multifamily tracts sold in the region has been conducted. The sales utilized in the valuation of the large commercial land tracts outlined above range in pricing from \$2.37 to \$11.20 per square foot and in total land area from 1.44 acres to 15.00 acres. Although the sales vary widely in terms of size and pricing per square foot, these sales are judged to be the most meaningful recent sales confirmed regarding tracts purchased for commercial development within developing areas. The price variance is judged to be primarily due to differences in corner configuration/interior configuration, market area/location, size, and presence of available utilities. These are judged to be the most comparable commercial development land sales available for use in the valuation of the subject vacant land tracts.

LAND SALES SUMMARY

The land sales for all of the commercial tracts are summarized on the following page. Individual sale details are included in the Addenda. The locations of the land sales are outlined in the map following the land sales summary.

| LAND SALES SUMMARY - COMMERCIAL LAND | | | | | | | | |
|--------------------------------------|------------------------------------|--------------------------------|--|------------------------------------|---|--|--------------------------------|---------------------------------|
| ID | Subject | Land Sale No. 1 | Land Sale No. 2 | Land Sale No. 3 | Land Sale No. 4 | Land Sale No. 5 | Land Sale No. 6 | Land Sale No. 7 |
| 7068 | Somerset PID | 7108 | 5889 | 6612 | 4537 | 4479 | 7099 | 7100 |
| Property Name | Somerset PID | Sinton Commercial Corner Tract | 3.00 Acres SW/s SPID and N of Old Brownsville Rd | Undeveloped Land Yorktown Blvd. | 1.4352 Acres NW of Saratoga Blvd & Airline Rd | 8.689 Acres North of Buddy Ganem Drive and Oak Brook Drive | Harlingen Commercial Pad Sites | Harlingen IH-2 Commercial Tract |
| Address | NW/C of Highway 89 and Highway 181 | NW/C of Hwy 89 and Hwy 181 | SW/S SPID, N of Old Brownsville Road | 7141 Yorktown Boulevard | 6602 Saratoga Blvd | North of Buddy Ganem Drive and Oak Brook Drive | 2802-2822 West Lincoln Avenue | NW/C of IH-2 and Dilworth Road |
| City | Sinton | Sinton | Corpus Christi | Corpus Christi | Corpus Christi | Portland | Harlingen | Harlingen |
| County | San Patricio | San Patricio | Nueces | Nueces | Nueces | San Patricio | Cameron | Cameron |
| Transaction Type | -- | Pending Contract | Closed Sale | Closed Sale | Closed Sale | Closed Sale | Closed Sale | Closed Sale |
| Financing | -- | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller |
| Topography | Generally Level | Generally level | Generally level | Generally Level | Level | Level | Level | Level |
| Shape | Irregular | Irregular | Rectangular | Rectangular | Near Rectangular | Rectangular | Rectangular | Rectangular |
| Utilities | Public Available Nearby | Public Available Nearby | Public Available | Public | Public | Public | Public Available | Public Available |
| Zoning | C | C | IL | IL | CG-2 | P - Professional Office District | GR | GR |
| Grantor | -- | Somerset Land Company, LLC | First Assembly of God of the City of Corpus Christi, Texas | Papalote Land and Cattle Co., Ltd. | Chu Mi Bang, et. al. | Gerald Guillot | AMS Harlingen I, LP | AABTCOD, Ltd. |
| Grantee | -- | Shopping Center Interests, LLC | Manok Investments, Ltd. | AP Kessler Investments, Ltd. | Mariano & Lucina Fernandez | David Jolley DMD, MS, PLLC | Y&O Lincoln, LLC | Coastal LandCo Harlingen, LLC |
| Sale Date | -- | 12/1/2021 | 8/3/2020 | 5/3/2019 | 7/17/2018 | 9/5/2019 | 1/15/2019 | 11/21/2019 |
| Sale Price | -- | \$5,227,200 | \$784,080 | \$1,070,000 | \$700,000 | \$898,000 | \$1,300,000 | \$2,399,720 |
| Gross Land Area (Acres) | Various | 15.00 Ac. | 3.00 Ac. | 4.05 Ac. | 1.44 Ac. | 8.69 Ac. | 5.44 Ac. | 5.51 Ac. |
| Gross Land Area (SF) | Various | 653,400 SF | 130,549 SF | 176,549 SF | 62,519 SF | 378,493 SF | 237,088 SF | 240,190 SF |
| Sale Price per Acre | -- | \$348,480 | \$261,622 | \$264,002 | \$487,723 | \$103,349 | \$238,848 | \$435,205 |
| Sale Price per SF | -- | \$8.00 | \$6.01 | \$6.06 | \$11.20 | \$2.37 | \$5.48 | \$9.99 |
| Verification | -- | Developer/Sale Contract | Broker | Broker | Broker | Broker | Broker | Broker |



LAND SALES DISCUSSION-COMMERCIAL TRACTS

It is noted that there have been limited undeveloped commercial tract sales in the immediate area; therefore, comparable sales are utilized within similar market areas. Seven sales are considered. The sales range in date from 2018 to 2021, in size from 1.44 to 15.00 acres, and in price from \$2.37 to \$11.20 per square foot. *It is noted that seven comparable sales are utilized in the analysis for the commercial tracts; however, Sale Nos. 1, 2, 3, 4, 5, 6 and 7 are utilized for Tracts 2, 3 and 4, while Sale Nos. 1, 2, 3, 4, 6 and 7 are utilized for Tracts 5, 6, 7 and 8.*

ADJUSTMENT PROCESS

Due to the imperfect nature of real estate markets, we have analyzed the comparables through the application of adjustments based on qualitative comparison. The adjustments made are subjective and are based on market evidence as well the appraiser's research, judgment and experience. The adjustments are not based on a quantitative analysis tool such as "paired sales" due to the lack of paired sales data; or on multiple regression analysis, due to the lack of enough comparable sales to constitute a statistically valid sample. Therefore, the percentage adjustments summarized on the following grid should be viewed as conveying the degree of subjective adjustment applied, and not the result of a quantitative analysis. Finally, the percentage adjustments applied are reflective of different base numbers, to avoid distortion.

In our final rating of the comparable sales, we have considered the following items of comparability in forming our opinion of land value for the subject.

Property Rights Conveyed

All of the sales utilized in this analysis involved the transfer of the fee simple interest. All of the sales have similar property rights; no adjustments are applied.

Financial Terms

To the best of our knowledge, all of the sales utilized in this analysis were accomplished with cash and/cash down to market-oriented financing. All of the sales have similar financing; no adjustments are applied.

Conditions of Sale

Adjustments for conditions of sale usually reflect the motivations of the buyer and the seller. In many situations, the conditions of sale may significantly affect transaction prices. Sale No. 1 consists of a pending contract for a portion of the subject property. Due to the pending contract nature of the subject allowing for an opt-out if certain developer-related requirements are not met, as well as considering discussion with the grantee regarding the sale, development potential and plans, special pricing for initial development of the site, etc., an upward adjustment is judged appropriate and is applied. The remaining sales are considered to be "arms-length" market transactions between both knowledgeable buyers and sellers on the open market; no adjustments are applied. Tracts 2-8 are adjusted to the same percentages for conditions of sale.

Market Conditions

This factor considers the differences in market conditions between the time of the comparable sale and the subject's date of value. For example, a comparable property which sold during a time of better market conditions would be superior to the subject as of the date of value.

The sales occurred between 2018 to 2021. Sale No. 1 consists of a pending contract to purchase a tract located within the subject property (consisting of Tracts 2 and 3) and is expected to close by December 2021, as indicated by the developer and the grantee, no adjustment is applied. Upward adjustments are applied for market conditions (time) to the remaining sales. The land market in the area has continued to improve from 2018 through 2021. Tracts 2-8 are adjusted to the same percentages for market conditions.

Location

An adjustment for location is required when the location characteristics of a comparable property are different from those of the subject property. The appraised tracts are generally located northwest of Highway 89 and Highway 181, within the eastern portion of Sinton, San Patricio County.

Tracts 2, 3 and 4

Sale Nos. 1, 2, 4, 6 and 7 are located within superior areas, in terms of nearby development, local area land pricing, etc., and are adjusted downward. Sale Nos. 3 and 5 are similarly located and are not adjusted.

Tracts 5, 6, 7 and 8

Tract 5 features superior location compared to Tracts 6, 7 and 8 and are adjusted accordingly. Sale Nos. 1 and 7 are similarly located and are not adjusted for Tract 5. Sale Nos. 2, 3 and 6 are located within inferior areas, upward adjustments are applied for Tract 5. Sale No. 4 features superior location and is adjusted downward for Tract 5.

Sale Nos. 1 and 4 feature superior location, downward adjustments are applied for Tract 6. Sale Nos. 2 and 3 feature inferior location, upward adjustments are applied for Tract 6. Sale No. 6 is judged inferior and is adjusted upward for Tract 6.

Sale Nos. 1, 2, 4 and 7 feature superior location and are adjusted downward for Tracts 7 and 8. Sale No. 3 is similarly located and is not adjusted for Tracts 7 and 8. Sale No. 6 is judged inferior and is adjusted upward for Tract 7 and is judged superior and adjusted downward for Tract 8.

Frontage/Access/Exposure

The appraised tracts feature varying frontage along Highway 89, Highway 181, secondary roadways, and a number of interior Somerset PID secondary roadways. Accessibility and exposure are considered to be average to good for the general area.

Tracts 2, 3 and 4

Sale Nos. 1, 3, 6 and 7 feature superior frontage/access/exposure, downward adjustments are applied for Tracts 2, 3 and 4. Sale Nos. 2, 4 and 5 feature inferior frontage/access/exposure, upward adjustments are applied for Tracts 2, 3 and 4.

Tracts 5, 6, 7 and 8

Sale Nos. 1, 6 and 7 feature similar frontage/access/exposure, no adjustments are applied to Tract 5. Sale Nos. 2, 3 and 4 feature inferior frontage/access/exposure, upward adjustments are applied for Tract 5.

Sale Nos. 1, 3, 6 and 7 feature superior frontage/access/exposure, downward adjustments are applied for Tract 6, 7 and 8. Sale Nos. 2 and 4 feature inferior frontage/access/exposure, upward adjustments are applied for Tract 6, 7 and 8.

Size

The size adjustment generally reflects the inverse relationship expressed between unit price and lot size. Smaller lots tend to sell for higher unit prices than larger lots, and vice versa. Hence, positive adjustments were made to larger land parcels, and negative adjustments were made to smaller land parcels when deemed appropriate.

Tracts 2, 3 and 4

Sale No. 1 is larger than Tracts 2, 3 and 4, upward adjustments are applied. Sale Nos. 2, 3, 4, 6 and 7 are smaller than Tract 2, downward adjustments are applied. Sale Nos. 2, 3, 4, 5, 6 and 7 are smaller than Tract 3, downward adjustments are applied. Sale No. 5 is similar in size to Tract 2, no adjustment is applied. Sale Nos. 1, 5, 6 and 7 are larger than Tract 4, upward adjustments are applied. Sale Nos. 2 and 3 are similar in size to Tract 4, no adjustments are applied.

Tracts 5, 6, 7 and 8

Sale No. 1 is larger than Tract 5, an upward adjustment is applied. Sale Nos. 2, 3 and 4 are smaller in size than Tract 5, downward adjustments are applied. Sale Nos. 6 and 7 are similar in size to Tract 5, no adjustments are applied.

Sale No. 1 is larger than Tract 6, an upward adjustment is applied. The remaining sales are smaller than Tract 6, downward adjustments are applied.

Sale No. 1 is larger than Tract 7, an upward adjustment is applied. Sale Nos. 2, 3 and 4 are smaller in size than Tract 7, downward adjustments are applied. Sale Nos. 6 and 7 are similar in size, no adjustments are applied.

Sale Nos. 1, 6 and 7 are larger than Tract 8, upward adjustments are applied. Sale Nos. 2 and 4 are smaller than Tract 8, downward adjustments are applied. Sale No. 3 is similar in size, no adjustment is applied.

Shape

The commercial tracts range from rectangular to irregular in shape. The shape of the site can affect the sales price based on the configuration and how it lends itself to use.

Tracts 2, 3 and 4

Sale Nos. 1, 6 and 7 feature similar shape, no adjustments are applied to Tracts 2, 3 and 4. Sale Nos. 2, 4 and 5 feature inferior shape, upward adjustments are applied to Tracts 2, 3 and 4. Sale No. 3 features superior shape, a downward adjustment is applied to Tracts 2, 3 and 4.

Tracts 5, 6, 7 and 8

Sale Nos. 1, 2 and 4 feature inferior shape, an upward adjustment is applied to Tract 5. Sale No. 3 features superior shape, a downward adjustment is applied to Tract 5. Sale Nos. 6 and 7 are similar, no adjustments are applied to Tract 5.

Sale Nos. 1, 2, and 4 feature inferior shape, upward adjustments are applied to Tracts 6 and 7. Sale No. 3 features similar shape, no adjustment is applied to Tracts 6 and 7. Sale Nos. 6 and 7 are similar and not adjusted for Tracts 6 and 7.

Sale Nos. 1, 6 and 7 feature similar shape, no adjustments are applied to Tract 8. Sale Nos. 2 and 4 feature inferior shape, upward adjustments are applied. Sale No. 3 features superior shape, a downward adjustment is applied.

Topography/Vegetation

Each of the tracts are generally level in topography and are cleared upon completion of the Somerset PID tract development. The subject sites are well suited for commercial development. All of the sales are judged to be similar in topography/vegetation, no adjustments are applied for Tracts 2-8.

Utilities to Site

The presence or lack of available utilities can be a key factor affecting sites. Tracts 2-8 will have all utilities extended to the border of the site upon completion of the PID development. Development engineering and utilities will be extended to the subject making the property ready for development. Each of the sales feature similar utility access to the border of the sites, no adjustments are applied for Tracts 2-8.

Zoning

The subject properties will be subject to commercial zoning by the City of Sinton. All of the sales are judged to have similar use potential; therefore, no adjustments are applied for Tracts 2-8.

Improvements

The subject is located within the Somerset PID development. No improvements other than the PID developments described throughout this report are proposed to be implemented to the development. Improvements to the development consist of utility infrastructure, interior roadways, etc. Each of the sales are similar, no adjustments are applied for Tracts 2-8.

SUMMARY OF ADJUSTMENTS:

Based on the comparative analysis, the tables on the following pages summarize the adjustments warranted to each land sale. The land value conclusion for each tract follows.

COMMERCIAL LAND VALUE CONCLUSION: TRACT 2

Prior to adjustments, the land sales indicated prices ranging from \$2.37 to \$11.20 per square foot with an average of \$7.02 per square foot. After adjustments, the land sales indicate the value of the subject site to be in the range of \$3.19 to \$8.37 with an average of \$6.21 per square foot. Sale No. 5 is somewhat out of range. The sales considered most meaningful include Sale Nos. 1, 2, 3, 4 and 7, which indicate an average value of \$7.11 per square foot. The concluded land value is \$6.50 to \$7.00, or **\$6.75** per square foot. The sales utilized were the best sales available as of the date of appraisal and the adjustments are believed to be valid based on our knowledge of the market and comparable land sales we have analyzed.

Based upon our analysis of the land sales and knowledge of the local real estate market, we conclude that the indicated “Prospective” market value (rounded) as of the effective date of value by the (land) sales comparison approach for Tract 2 is **\$2,135,000**.

The Land Sales Adjustment Analysis for Tract 2 is included on the following page.

| LAND VALUE CONCLUSION - TRACT 2: COMMERCIAL LAND | |
|---|--------------------|
| | Indicators |
| Subject Land Area - Acres | 7.26 Acres |
| Subject Land Area - Square Feet | 316,109 SF |
| Reconciled Land Value per Square Foot | \$6.75 |
| Reconciled Land Value (Rd) | \$2,135,000 |

| LAND SALES COMPARISON ADJUSTMENT ANALYSIS - TRACT 2: COMMERCIAL LAND | | | | | | | | |
|--|--|--------------------------------|--|------------------------------------|----------------------------|--|-------------------------------|--------------------------------|
| Comparable | Subject | Land Sale No. 1 | Land Sale No. 2 | Land Sale No. 3 | Land Sale No. 4 | Land Sale No. 5 | Land Sale No. 6 | Land Sale No. 7 |
| Record ID | 7068 | 7108 | 5889 | 6612 | 4537 | 4479 | 7099 | 7100 |
| Address | Northwest Corner of Highway 89 and Goodnight Trail | NW/C of Hwy 89 and Hwy 181 | SW/S SPID, N of Old Brownsville Road | 7141 Yorktown Boulevard | 6602 Saratoga Blvd | North of Buddy Ganem Drive and Oak Brook Drive | 2802-2822 West Lincoln Avenue | NW/C of IH-2 and Dilworth Road |
| City | Sinton | Sinton | Corpus Christi | Corpus Christi | Corpus Christi | Portland | Harlingen | Harlingen |
| County | San Patricio | San Patricio | Nueces | Nueces | Nueces | San Patricio | Cameron | Cameron |
| Transaction Type | -- | Pending Contract | Closed Sale | Closed Sale | Closed Sale | Closed Sale | Closed Sale | Closed Sale |
| Financing | -- | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller |
| Grantor | -- | Somerset Land Company, LLC | First Assembly of God of the City of Corpus Christi, Texas | Papalote Land and Cattle Co., Ltd. | Chu Mi Bang, et. al. | Gerald Guillot | AMS Harlingen I, LP | AABTCOD, Ltd. |
| Grantee | -- | Shopping Center Interests, LLC | Manok Investments, Ltd. | AP Kessler Investments, Ltd. | Mariano & Lucina Fernandez | David Jolley DMD, MS, PLLC | Y&O Lincoln, LLC | Coastal LandCo Harlingen, LLC |
| Sale Date | -- | 12/1/2021 | 8/3/2020 | 5/3/2019 | 7/17/2018 | 9/5/2019 | 1/15/2019 | 11/21/2019 |
| Sale Price | -- | \$5,227,200 | \$784,080 | \$1,070,000 | \$700,000 | \$898,000 | \$1,300,000 | \$2,399,720 |
| Land Area (Acres) | 7.26 Ac. | 15.00 Ac. | 3.00 Ac. | 4.05 Ac. | 1.44 Ac. | 8.69 Ac. | 5.44 Ac. | 5.51 Ac. |
| Land Area (SF) | 316,109 SF | 653,400 SF | 130,549 SF | 176,549 SF | 62,519 SF | 378,493 SF | 237,088 SF | 240,190 SF |
| Sale Price per SF | -- | \$8.00 | \$6.01 | \$6.06 | \$11.20 | \$2.37 | \$5.48 | \$9.99 |
| Transaction Adjustments | | | | | | | | |
| | | Similar | Similar | Similar | Similar | Similar | Similar | Similar |
| Property Rights | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | Similar | Similar | Similar | Similar | Similar | Similar | Similar |
| Financing | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | Inferior | Similar | Similar | Similar | Similar | Similar | Similar |
| Conditions of Sale | | 10.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | Similar | Inferior | Inferior | Inferior | Inferior | Inferior | Inferior |
| Market Conditions (Time) | | 0.00% | 5.00% | 10.00% | 15.00% | 7.50% | 12.50% | 7.50% |
| | | Inferior | Inferior | Inferior | Inferior | Inferior | Inferior | Inferior |
| Total Transaction Adjustments | | 10.00% | 5.00% | 10.00% | 15.00% | 7.50% | 12.50% | 7.50% |
| Subtotal (per SF) | | \$8.80 | \$6.31 | \$6.67 | \$12.88 | \$2.55 | \$6.17 | \$10.74 |
| Physical Adjustments | | | | | | | | |
| | | Superior | Superior | Similar | Superior | Similar | Superior | Superior |
| Location | | -15.00% | -5.00% | 0.00% | -35.00% | 0.00% | -10.00% | -20.00% |
| | | Superior | Inferior | Superior | Inferior | Superior | Superior | Superior |
| Frontage/Access/Exposure | | -10.00% | 15.00% | -5.00% | 15.00% | 10.00% | -10.00% | -10.00% |
| | | Inferior | Superior | Superior | Superior | Similar | Superior | Superior |
| Size | | 10.00% | -10.00% | -7.50% | -25.00% | 0.00% | -2.50% | -2.50% |
| | | Similar | Inferior | Superior | Inferior | Inferior | Similar | Similar |
| Shape | | 0.00% | 10.00% | -5.00% | 10.00% | 15.00% | 0.00% | 0.00% |
| | | Similar | Similar | Similar | Similar | Similar | Similar | Similar |
| Topography/Vegetation | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | Similar | Similar | Similar | Similar | Similar | Similar | Similar |
| Utilities to Site | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | Similar | Similar | Similar | Similar | Similar | Similar | Similar |
| Zoning | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | Similar | Similar | Similar | Similar | Similar | Similar | Similar |
| Improvements | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | Superior | Inferior | Superior | Superior | Inferior | Superior | Superior |
| Total Physical Adjustments | | -15.00% | 10.00% | -17.50% | -35.00% | 25.00% | -22.50% | -32.50% |
| Overall Qualitative Adjustment | | Superior | Inferior | Superior | Superior | Inferior | Superior | Superior |
| Indicated Price per SF | | \$7.48 | \$6.94 | \$5.50 | \$8.37 | \$3.19 | \$4.78 | \$7.25 |

COMMERCIAL LAND VALUE CONCLUSION: TRACT 3

Prior to adjustments, the land sales indicated prices ranging from \$2.37 to \$11.20 per square foot with an average of \$7.02 per square foot. After adjustments, the land sales indicate the value of the subject site to be in the range of \$3.12 to \$8.05 with an average of \$6.08 per square foot. Sale No. 5 is somewhat out of range. The sales considered most meaningful include Sale Nos. 1, 2, 3, 4 and 7, which indicate an average value of \$6.97 per square foot. The concluded land value is \$6.25 to \$6.75, or **\$6.50** per square foot. The sales utilized were the best sales available as of the date of appraisal and the adjustments are believed to be valid based on our knowledge of the market and comparable land sales we have analyzed.

Based upon our analysis of the land sales and knowledge of the local real estate market, we conclude that the indicated “Prospective” market value (rounded) as of the effective date of value by the (land) sales comparison approach for Tract 3 is **\$2,660,000**.

The Land Sales Adjustment Analysis for Tract 3 is included on the following page.

| LAND VALUE CONCLUSION - TRACT: 3 COMMERCIAL LAND | |
|---|--------------------|
| | Indicators |
| Subject Land Area - Acres | 9.39 Ac. |
| Subject Land Area - Square Feet | 409,040 SF |
| Reconciled Land Value per Square Foot | \$6.50 |
| Reconciled Land Value (Rd) | \$2,660,000 |

| LAND SALES COMPARISON ADJUSTMENT ANALYSIS - TRACT 3: COMMERCIAL LAND | | | | | | | | |
|--|------------------------------------|--------------------------------|--|------------------------------------|----------------------------|--|-------------------------------|--------------------------------|
| Comparable | Subject | Land Sale No. 1 | Land Sale No. 2 | Land Sale No. 3 | Land Sale No. 4 | Land Sale No. 5 | Land Sale No. 6 | Land Sale No. 7 |
| Record ID | 7068 | 7108 | 5889 | 6612 | 4537 | 4479 | 7099 | 7100 |
| Address | NW/C of Highway 89 and Highway 181 | NW/C of Hwy 89 and Hwy 181 | SW/S SPID, N of Old Brownsville Road | 7141 Yorktown Boulevard | 6602 Saratoga Blvd | North of Buddy Ganem Drive and Oak Brook Drive | 2802-2822 West Lincoln Avenue | NW/C of IH-2 and Dilworth Road |
| City | Sinton | Sinton | Corpus Christi | Corpus Christi | Corpus Christi | Portland | Harlingen | Harlingen |
| County | San Patricio | San Patricio | Nueces | Nueces | Nueces | San Patricio | Cameron | Cameron |
| Transaction Type | -- | Pending Contract | Closed Sale | Closed Sale | Closed Sale | Closed Sale | Closed Sale | Closed Sale |
| Financing | -- | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller |
| Grantor | -- | Somerset Land Company, LLC | First Assembly of God of the City of Corpus Christi, Texas | Papalote Land and Cattle Co., Ltd. | Chu Mi Bang, et. al. | Gerald Guillot | AMS Harlingen I, LP | AABTCOD, Ltd. |
| Grantee | -- | Shopping Center Interests, LLC | Manok Investments, Ltd. | AP Kessler Investments, Ltd. | Mariano & Lucina Fernandez | David Jolley DMD, MS, PLLC | Y&O Lincoln, LLC | Coastal LandCo Harlingen, LLC |
| Sale Date | -- | 12/1/2021 | 8/3/2020 | 5/3/2019 | 7/17/2018 | 9/5/2019 | 1/15/2019 | 11/21/2019 |
| Sale Price | -- | \$5,227,200 | \$784,080 | \$1,070,000 | \$700,000 | \$898,000 | \$1,300,000 | \$2,399,720 |
| Land Area (Acres) | 9.39 Ac. | 15.00 Ac. | 3.00 Ac. | 4.05 Ac. | 1.44 Ac. | 8.69 Ac. | 5.44 Ac. | 5.51 Ac. |
| Land Area (SF) | 409,040 SF | 653,400 SF | 130,549 SF | 176,549 SF | 62,519 SF | 378,493 SF | 237,088 SF | 240,190 SF |
| Sale Price per SF | -- | \$8.00 | \$6.01 | \$6.06 | \$11.20 | \$2.37 | \$5.48 | \$9.99 |
| Transaction Adjustments | | | | | | | | |
| | | Similar | Similar | Similar | Similar | Similar | Similar | Similar |
| Property Rights | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | Similar | Similar | Similar | Similar | Similar | Similar | Similar |
| Financing | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | Inferior | Similar | Similar | Similar | Similar | Similar | Similar |
| Conditions of Sale | | 10.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | Similar | Inferior | Inferior | Inferior | Inferior | Inferior | Inferior |
| Market Conditions (Time) | | 0.00% | 5.00% | 10.00% | 15.00% | 7.50% | 12.50% | 7.50% |
| | | Inferior | Inferior | Inferior | Inferior | Inferior | Inferior | Inferior |
| Total Transaction Adjustments | | 10.00% | 5.00% | 10.00% | 15.00% | 7.50% | 12.50% | 7.50% |
| Subtotal (per SF) | | \$8.80 | \$6.31 | \$6.67 | \$12.88 | \$2.55 | \$6.17 | \$10.74 |
| Physical Adjustments | | | | | | | | |
| | | Superior | Superior | Similar | Superior | Similar | Superior | Superior |
| Location | | -10.00% | -5.00% | 0.00% | -35.00% | 0.00% | -10.00% | -20.00% |
| | | Superior | Inferior | Superior | Inferior | Inferior | Superior | Superior |
| Frontage/Access/Exposure | | -10.00% | 15.00% | -5.00% | 15.00% | 10.00% | -10.00% | -10.00% |
| | | Inferior | Superior | Superior | Superior | Superior | Superior | Superior |
| Size | | 7.50% | -12.50% | -10.00% | -27.50% | -2.50% | -5.00% | -5.00% |
| | | Similar | Inferior | Superior | Inferior | Inferior | Similar | Similar |
| Shape | | 0.00% | 10.00% | -5.00% | 10.00% | 15.00% | 0.00% | 0.00% |
| | | Similar | Similar | Similar | Similar | Similar | Similar | Similar |
| Topography/Vegetation | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | Similar | Similar | Similar | Similar | Similar | Similar | Similar |
| Utilities to Site | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | Similar | Similar | Similar | Similar | Similar | Similar | Similar |
| Zoning | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | Similar | Similar | Similar | Similar | Similar | Similar | Similar |
| Improvements | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | Superior | Inferior | Superior | Superior | Inferior | Superior | Superior |
| Total Physical Adjustments | | -12.50% | 7.50% | -20.00% | -37.50% | 22.50% | -25.00% | -35.00% |
| Overall Qualitative Adjustment | | Superior | Inferior | Superior | Superior | Inferior | Superior | Superior |
| Indicated Price per SF | | \$7.70 | \$6.78 | \$5.33 | \$8.05 | \$3.12 | \$4.63 | \$6.98 |

COMMERCIAL LAND VALUE CONCLUSION: TRACT 4

Prior to adjustments, the land sales indicated prices ranging from \$2.37 to \$11.20 per square foot with an average of \$7.02 per square foot. After adjustments, the land sales indicate the value of the subject site to be in the range of \$3.57 to \$10.30 with an average of \$7.08 per square foot. Sale No. 5 is somewhat out of range. The sales considered most meaningful include Sale Nos. 1, 2, 3, 4 and 7, which indicate an average value of \$8.14 per square foot. The concluded land value is \$7.25 to \$7.75, or **\$7.50** per square foot. The sales utilized were the best sales available as of the date of appraisal and the adjustments are believed to be valid based on our knowledge of the market and comparable land sales we have analyzed.

Based upon our analysis of the land sales and knowledge of the local real estate market, we conclude that the indicated “Prospective” market value (rounded) as of the effective date of value by the (land) sales comparison approach for Tract 4 is **\$1,085,000**.

The Land Sales Adjustment Analysis for Tract 4 is included on the following page.

| LAND VALUE CONCLUSION - TRACT 4: COMMERCIAL LAND | |
|---|--------------------|
| | Indicators |
| Subject Land Area - Acres | 3.32 Ac. |
| Subject Land Area - Square Feet | 144,761 SF |
| Reconciled Land Value per Square Foot | \$7.50 |
| Reconciled Land Value (Rd) | \$1,085,000 |

| LAND SALES COMPARISON ADJUSTMENT ANALYSIS - TRACT 4: COMMERCIAL LAND | | | | | | | | |
|--|------------------------------------|--------------------------------|--|------------------------------------|----------------------------|--|-------------------------------|--------------------------------|
| Comparable | Subject | Land Sale No. 1 | Land Sale No. 2 | Land Sale No. 3 | Land Sale No. 4 | Land Sale No. 5 | Land Sale No. 6 | Land Sale No. 7 |
| Record ID | 7068 | 7108 | 5889 | 6612 | 4537 | 4479 | 7099 | 7100 |
| Address | NW/C of Highway 89 and Highway 181 | NW/C of Hwy 89 and Hwy 181 | SW/S SPID, N of Old Brownsville Road | 7141 Yorktown Boulevard | 6602 Saratoga Blvd | North of Buddy Ganem Drive and Oak Brook Drive | 2802-2822 West Lincoln Avenue | NW/C of IH-2 and Dilworth Road |
| City | Sinton | Sinton | Corpus Christi | Corpus Christi | Corpus Christi | Portland | Harlingen | Harlingen |
| County | San Patricio | San Patricio | Nueces | Nueces | Nueces | San Patricio | Cameron | Cameron |
| Transaction Type | -- | Pending Contract | Closed Sale | Closed Sale | Closed Sale | Closed Sale | Closed Sale | Closed Sale |
| Financing | -- | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller |
| Grantor | -- | Somerset Land Company, LLC | First Assembly of God of the City of Corpus Christi, Texas | Papalote Land and Cattle Co., Ltd. | Chu Mi Bang, et. al. | Gerald Guillot | AMS Harlingen I, LP | AABTCOD, Ltd. |
| Grantee | -- | Shopping Center Interests, LLC | Manok Investments, Ltd. | AP Kessler Investments, Ltd. | Mariano & Lucina Fernandez | David Jolley DMD, MS, PLLC | Y&O Lincoln, LLC | Coastal LandCo Harlingen, LLC |
| Sale Date | -- | 12/1/2021 | 8/3/2020 | 5/3/2019 | 7/17/2018 | 9/5/2019 | 1/15/2019 | 11/21/2019 |
| Sale Price | -- | \$5,227,200 | \$784,080 | \$1,070,000 | \$700,000 | \$898,000 | \$1,300,000 | \$2,399,720 |
| Land Area (Acres) | 3.32 Ac. | 15.00 Ac. | 3.00 Ac. | 4.05 Ac. | 1.44 Ac. | 8.69 Ac. | 5.44 Ac. | 5.51 Ac. |
| Land Area (SF) | 144,761 SF | 653,400 SF | 130,549 SF | 176,549 SF | 62,519 SF | 378,493 SF | 237,088 SF | 240,190 SF |
| Sale Price per SF | -- | \$8.00 | \$6.01 | \$6.06 | \$11.20 | \$2.37 | \$5.48 | \$9.99 |
| Transaction Adjustments | | | | | | | | |
| | | Similar | Similar | Similar | Similar | Similar | Similar | Similar |
| Property Rights | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | Similar | Similar | Similar | Similar | Similar | Similar | Similar |
| Financing | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | Inferior | Similar | Similar | Similar | Similar | Similar | Similar |
| Conditions of Sale | | 10.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | Similar | Inferior | Inferior | Inferior | Inferior | Inferior | Inferior |
| Market Conditions (Time) | | 0.00% | 5.00% | 10.00% | 15.00% | 7.50% | 12.50% | 7.50% |
| | | Inferior | Inferior | Inferior | Inferior | Inferior | Inferior | Inferior |
| Total Transaction Adjustments | | 10.00% | 5.00% | 10.00% | 15.00% | 7.50% | 12.50% | 7.50% |
| Subtotal (per SF) | | \$8.80 | \$6.31 | \$6.67 | \$12.88 | \$2.55 | \$6.17 | \$10.74 |
| Physical Adjustments | | | | | | | | |
| | | Superior | Superior | Similar | Superior | Similar | Superior | Superior |
| Location | | -10.00% | -5.00% | 0.00% | -35.00% | 0.00% | -10.00% | -20.00% |
| | | Superior | Inferior | Superior | Inferior | Inferior | Superior | Superior |
| Frontage/Access/Exposure | | -10.00% | 15.00% | -5.00% | 15.00% | 10.00% | -10.00% | -10.00% |
| | | Inferior | Similar | Similar | Superior | Inferior | Inferior | Inferior |
| Size | | 20.00% | 0.00% | 0.00% | -10.00% | 15.00% | 5.00% | 5.00% |
| | | Similar | Inferior | Superior | Inferior | Inferior | Similar | Similar |
| Shape | | 0.00% | 10.00% | -5.00% | 10.00% | 15.00% | 0.00% | 0.00% |
| | | Similar | Similar | Similar | Similar | Similar | Similar | Similar |
| Topography/Vegetation | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | Similar | Similar | Similar | Similar | Similar | Similar | Similar |
| Utilities to Site | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | Similar | Similar | Similar | Similar | Similar | Similar | Similar |
| Zoning | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | Similar | Similar | Similar | Similar | Similar | Similar | Similar |
| Improvements | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | Similar | Inferior | Superior | Superior | Inferior | Superior | Superior |
| Total Physical Adjustments | | 0.00% | 20.00% | -10.00% | -20.00% | 40.00% | -15.00% | -25.00% |
| Overall Qualitative Adjustment | | Similar | Inferior | Superior | Superior | Inferior | Superior | Superior |
| Indicated Price per SF | | \$8.80 | \$7.57 | \$6.00 | \$10.30 | \$3.57 | \$5.24 | \$8.06 |

COMMERCIAL LAND VALUE CONCLUSION: TRACT 5

Prior to adjustments, the land sales indicated prices ranging from \$5.48 to \$11.20 per square foot with an average of \$7.79 per square foot. After adjustments, the land sales indicate the value of the subject site to be in the range of \$7.40 to \$13.20 with an average of \$9.70 per square foot. The sales considered most meaningful include Sale Nos. 1, 2, 4 and 7, which indicate an average value of \$10.83 per square foot. The concluded land value is \$10.00 to \$10.50, or **\$10.25** per square foot. The sales utilized were the best sales available as of the date of appraisal and the adjustments are believed to be valid based on our knowledge of the market and comparable land sales we have analyzed.

Based upon our analysis of the land sales and knowledge of the local real estate market, we conclude that the indicated “Prospective” market value (rounded) as of the effective date of value by the (land) sales comparison approach for Tract 5 is **\$2,235,000**.

The Land Sales Adjustment Analysis for Tract 5 is included on the following page.

| LAND VALUE CONCLUSION - TRACT 5: COMMERCIAL LAND | |
|---|--------------------|
| | Indicators |
| Subject Land Area - Acres | 5.00 Ac. |
| Subject Land Area - Square Feet | 217,811 SF |
| Reconciled Land Value per Square Foot | \$10.25 |
| Reconciled Land Value (Rd) | \$2,235,000 |

| LAND SALES COMPARISON ADJUSTMENT ANALYSIS - TRACT 5: COMMERCIAL LAND | | | | | | | |
|--|------------------------------------|--------------------------------|--|------------------------------------|----------------------------|-------------------------------|--------------------------------|
| Comparable | Subject | Land Sale No. 1 | Land Sale No. 2 | Land Sale No. 3 | Land Sale No. 4 | Land Sale No. 6 | Land Sale No. 7 |
| Record ID | 7068 | 7108 | 5889 | 6612 | 4537 | 7099 | 7100 |
| Address | NW/C of Highway 89 and Highway 181 | NW/C of Hwy 89 and Hwy 181 | SW/S SPID, N of Old Brownsville Road | 7141 Yorktown Boulevard | 6602 Saratoga Blvd | 2802-2822 West Lincoln Avenue | NW/C of IH-2 and Dilworth Road |
| City | Sinton | Sinton | Corpus Christi | Corpus Christi | Corpus Christi | Harlingen | Harlingen |
| County | San Patricio | San Patricio | Nueces | Nueces | Nueces | Cameron | Cameron |
| State | Texas | TX | TX | TX | TX | TX | TX |
| Transaction Type | -- | Pending Contract | Closed Sale | Closed Sale | Closed Sale | Closed Sale | Closed Sale |
| Financing | -- | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller |
| Grantor | -- | Somerset Land Company, LLC | First Assembly of God of the City of Corpus Christi, Texas | Papalote Land and Cattle Co., Ltd. | Chu Mi Bang, et. al. | AMS Harlingen I, LP | AABTCOD, Ltd. |
| Grantee | -- | Shopping Center Interests, LLC | Manok Investments, Ltd. | AP Kessler Investments, Ltd. | Mariano & Lucina Fernandez | Y&O Lincoln, LLC | Coastal LandCo Harlingen, LLC |
| Sale Date | -- | 12/1/2021 | 8/3/2020 | 5/3/2019 | 7/17/2018 | 1/15/2019 | 11/21/2019 |
| Sale Price | -- | \$5,227,200 | \$784,080 | \$1,070,000 | \$700,000 | \$1,300,000 | \$2,399,720 |
| Gross Land Area (Acres) | 5.00 Ac. | 15.00 Ac. | 3.00 Ac. | 4.05 Ac. | 1.44 Ac. | 5.44 Ac. | 5.51 Ac. |
| Gross Land Area (SF) | 217,811 SF | 653,400 SF | 130,549 SF | 176,549 SF | 62,519 SF | 237,088 SF | 240,190 SF |
| Sale Price per SF | -- | \$8.00 | \$6.01 | \$6.06 | \$11.20 | \$5.48 | \$9.99 |
| Transaction Adjustments | | | | | | | |
| Property Rights | | Similar | Similar | Similar | Similar | Similar | Similar |
| | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Financing | | Similar | Similar | Similar | Similar | Similar | Similar |
| | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Conditions of Sale | | Inferior | Similar | Similar | Similar | Similar | Similar |
| | | 10.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Market Conditions (Time) | | Similar | Inferior | Inferior | Inferior | Inferior | Inferior |
| | | 0.00% | 5.00% | 10.00% | 15.00% | 12.50% | 7.50% |
| Total Transaction Adjustments | | Inferior | Inferior | Inferior | Inferior | Inferior | Inferior |
| | | 10.00% | 5.00% | 10.00% | 15.00% | 12.50% | 7.50% |
| Subtotal (per SF) | | \$8.80 | \$6.31 | \$6.67 | \$12.88 | \$6.17 | \$10.74 |
| Physical Adjustments | | | | | | | |
| Location | | Similar | Inferior | Inferior | Superior | Inferior | Similar |
| | | 0.00% | 10.00% | 15.00% | -20.00% | 20.00% | 0.00% |
| Frontage/Access/Exposure | | Similar | Inferior | Inferior | Inferior | Similar | Similar |
| | | 0.00% | 25.00% | 5.00% | 25.00% | 0.00% | 0.00% |
| Size | | Inferior | Superior | Superior | Superior | Similar | Similar |
| | | 15.00% | -5.00% | -2.50% | -12.50% | 0.00% | 0.00% |
| Shape | | Inferior | Inferior | Superior | Inferior | Similar | Similar |
| | | 5.00% | 10.00% | -5.00% | 10.00% | 0.00% | 0.00% |
| Topography/Vegetation | | Similar | Similar | Similar | Similar | Similar | Similar |
| | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Utilities to Site | | Similar | Similar | Similar | Similar | Similar | Similar |
| | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Zoning | | Similar | Similar | Similar | Similar | Similar | Similar |
| | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Improvements | | Similar | Similar | Similar | Similar | Similar | Similar |
| | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Total Physical Adjustments | | Inferior | Inferior | Inferior | Inferior | Inferior | Similar |
| | | 20.00% | 40.00% | 12.50% | 2.50% | 20.00% | 0.00% |
| Overall Qualitative Adjustment | | Inferior | Inferior | Inferior | Inferior | Inferior | Similar |
| Indicated Price per SF | | \$10.56 | \$8.83 | \$7.50 | \$13.20 | \$7.40 | \$10.74 |

COMMERCIAL LAND VALUE CONCLUSION: TRACT 6

Prior to adjustments, the land sales indicated prices ranging from \$5.48 to \$11.20 per square foot with an average of \$7.79 per square foot. After adjustments, the land sales indicate the value of the subject site to be in the range of \$6.01 to \$11.27 with an average of \$8.22 per square foot. Without the high and low indicated values, the average is \$7.55 per square foot. The sales considered most meaningful include Sale Nos. 1, 2, 4 and 7, which indicate an average value of \$9.24 per square foot. The concluded land value is \$8.25 to \$8.75, or **\$8.50** per square foot. The sales utilized were the best sales available as of the date of appraisal and the adjustments are believed to be valid based on our knowledge of the market and comparable land sales we have analyzed.

Based upon our analysis of the land sales and knowledge of the local real estate market, we conclude that the indicated “As Proposed” market value (rounded) as of the effective date of value by the (land) sales comparison approach for Tract 6 is **\$3,700,000**.

The Land Sales Adjustment Analysis for Tract 6 is included on the following page.

| LAND VALUE CONCLUSION - TRACT 6: COMMERCIAL LAND | |
|---|--------------------|
| | Indicators |
| Subject Land Area - Acres | 10.00 Ac. |
| Subject Land Area - Square Feet | 435,585 SF |
| Reconciled Land Value per Square Foot | \$8.50 |
| Reconciled Land Value (Rd) | \$3,700,000 |

| LAND SALES COMPARISON ADJUSTMENT ANALYSIS - TRACT 6: COMMERCIAL LAND | | | | | | | |
|--|--|--------------------------------|--|------------------------------------|----------------------------|-------------------------------|--------------------------------|
| Comparable | Subject | Land Sale No. 1 | Land Sale No. 2 | Land Sale No. 3 | Land Sale No. 4 | Land Sale No. 6 | Land Sale No. 7 |
| Record ID | 7068 | 7108 | 5889 | 6612 | 4537 | 7099 | 7100 |
| Address | Northeast Corner of Highway 181 and North Somerset Boulevard | NW/C of Hwy 89 and Hwy 181 | SW/S SPID, N of Old Brownsville Road | 7141 Yorktown Boulevard | 6602 Saratoga Blvd | 2802-2822 West Lincoln Avenue | NW/C of IH-2 and Dilworth Road |
| City | Sinton | Sinton | Corpus Christi | Corpus Christi | Corpus Christi | Harlingen | Harlingen |
| County | San Patricio | San Patricio | Nueces | Nueces | Nueces | Cameron | Cameron |
| State | Texas | TX | TX | TX | TX | TX | TX |
| Transaction Type | -- | Pending Contract | Closed Sale | Closed Sale | Closed Sale | Closed Sale | Closed Sale |
| Financing | -- | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller |
| Grantor | -- | Somerset Land Company, LLC | First Assembly of God of the City of Corpus Christi, Texas | Papalote Land and Cattle Co., Ltd. | Chu Mi Bang, et. al. | AMS Harlingen I, LP | AABTCOD, Ltd. |
| Grantee | -- | Shopping Center Interests, LLC | Manok Investments, Ltd. | AP Kessler Investments, Ltd. | Mariano & Lucina Fernandez | Y&O Lincoln, LLC | Coastal LandCo Harlingen, LLC |
| Sale Date | -- | 12/1/2021 | 8/3/2020 | 5/3/2019 | 7/17/2018 | 1/15/2019 | 11/21/2019 |
| Sale Price | -- | \$5,227,200 | \$784,080 | \$1,070,000 | \$700,000 | \$1,300,000 | \$2,399,720 |
| Gross Land Area (Acres) | 10.00 Ac. | 15.00 Ac. | 3.00 Ac. | 4.05 Ac. | 1.44 Ac. | 5.44 Ac. | 5.51 Ac. |
| Gross Land Area (SF) | 435,585 SF | 653,400 SF | 130,549 SF | 176,549 SF | 62,519 SF | 237,088 SF | 240,190 SF |
| Sale Price per SF | -- | \$8.00 | \$6.01 | \$6.06 | \$11.20 | \$5.48 | \$9.99 |
| Transaction Adjustments | | | | | | | |
| | | Similar | Similar | Similar | Similar | Similar | Similar |
| Property Rights | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | Similar | Similar | Similar | Similar | Similar | Similar |
| Financing | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | Inferior | Similar | Similar | Similar | Similar | Similar |
| Conditions of Sale | | 10.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | Similar | Inferior | Inferior | Inferior | Inferior | Inferior |
| Market Conditions (Time) | | 0.00% | 5.00% | 10.00% | 15.00% | 12.50% | 7.50% |
| | | Inferior | Inferior | Inferior | Inferior | Inferior | Inferior |
| Total Transaction Adjustments | | 10.00% | 5.00% | 10.00% | 15.00% | 12.50% | 7.50% |
| Subtotal (per SF) | | \$8.80 | \$6.31 | \$6.67 | \$12.88 | \$6.17 | \$10.74 |
| Physical Adjustments | | | | | | | |
| | | Superior | Inferior | Inferior | Superior | Inferior | Similar |
| Location | | -5.00% | 5.00% | 10.00% | -20.00% | 10.00% | 0.00% |
| | | Superior | Inferior | Superior | Inferior | Superior | Superior |
| Frontage/Access/Exposure | | -10.00% | 15.00% | -5.00% | 20.00% | -7.50% | -7.50% |
| | | Inferior | Superior | Superior | Superior | Superior | Superior |
| Size | | 7.50% | -12.50% | -10.00% | -27.50% | -5.00% | -5.00% |
| | | Inferior | Inferior | Similar | Inferior | Similar | Similar |
| Shape | | 5.00% | 15.00% | 0.00% | 15.00% | 0.00% | 0.00% |
| | | Similar | Similar | Similar | Similar | Similar | Similar |
| Topography/Vegetation | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | Similar | Similar | Similar | Similar | Similar | Similar |
| Utilities to Site | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | Similar | Similar | Similar | Similar | Similar | Similar |
| Zoning | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | Similar | Similar | Similar | Similar | Similar | Similar |
| Improvements | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | Superior | Inferior | Superior | Superior | Superior | Superior |
| Total Physical Adjustments | | -2.50% | 22.50% | -5.00% | -12.50% | -2.50% | -12.50% |
| Overall Qualitative Adjustment | | Superior | Inferior | Superior | Superior | Superior | Superior |
| Indicated Price per SF | | \$8.58 | \$7.73 | \$6.33 | \$11.27 | \$6.01 | \$9.40 |

COMMERCIAL LAND VALUE CONCLUSION: TRACT 7

Prior to adjustments, the land sales indicated prices ranging from \$5.48 to \$11.20 per square foot with an average of \$7.79 per square foot. After adjustments, the land sales indicate the value of the subject site to be in the range of \$6.01 to \$11.27 with an average of \$8.13 per square foot. Without the high and low indicated values, the average is \$7.55 per square foot. The sales considered most meaningful include Sale Nos. 1, 2, 4 and 7, which indicate an average value of \$9.24 per square foot. The concluded land value is \$8.25 to \$8.75, or **\$8.50** per square foot. The sales utilized were the best sales available as of the date of appraisal and the adjustments are believed to be valid based on our knowledge of the market and comparable land sales we have analyzed.

Based upon our analysis of the land sales and knowledge of the local real estate market, we conclude that the indicated “As Proposed” market value (rounded) as of the effective date of value by the (land) sales comparison approach for Tract 7 is **\$1,965,000**.

The Land Sales Adjustment Analysis for Tract 7 is included on the following page.

| LAND VALUE CONCLUSION - TRACT 7: COMMERCIAL LAND | |
|---|--------------------|
| | Indicators |
| Subject Land Area - Acres | 5.30 Ac. |
| Subject Land Area - Square Feet | 231,008 SF |
| Reconciled Land Value per Square Foot | \$8.50 |
| Reconciled Land Value (Rd) | \$1,965,000 |

| LAND SALES COMPARISON ADJUSTMENT ANALYSIS - TRACT 7: COMMERCIAL LAND | | | | | | | |
|--|------------------------------------|--------------------------------|--|------------------------------------|----------------------------|-------------------------------|--------------------------------|
| Comparable | Subject | Land Sale No. 1 | Land Sale No. 2 | Land Sale No. 3 | Land Sale No. 4 | Land Sale No. 6 | Land Sale No. 7 |
| Record ID | 7068 | 7108 | 5889 | 6612 | 4537 | 7099 | 7100 |
| Address | NW/C of Highway 89 and Highway 181 | NW/C of Hwy 89 and Hwy 181 | SW/S SPID, N of Old Brownsville Road | 7141 Yorktown Boulevard | 6602 Saratoga Blvd | 2802-2822 West Lincoln Avenue | NW/C of IH-2 and Dilworth Road |
| City | Sinton | Sinton | Corpus Christi | Corpus Christi | Corpus Christi | Harlingen | Harlingen |
| County | San Patricio | San Patricio | Nueces | Nueces | Nueces | Cameron | Cameron |
| State | Texas | TX | TX | TX | TX | TX | TX |
| Transaction Type | -- | Pending Contract | Closed Sale | Closed Sale | Closed Sale | Closed Sale | Closed Sale |
| Financing | -- | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller |
| Grantor | -- | Somerset Land Company, LLC | First Assembly of God of the City of Corpus Christi, Texas | Papalote Land and Cattle Co., Ltd. | Chu Mi Bang, et. al. | AMS Harlingen I, LP | AABTCOD, Ltd. |
| Grantee | -- | Shopping Center Interests, LLC | Manok Investments, Ltd. | AP Kessler Investments, Ltd. | Mariano & Lucina Fernandez | Y&O Lincoln, LLC | Coastal LandCo Harlingen, LLC |
| Sale Date | -- | 12/1/2021 | 8/3/2020 | 5/3/2019 | 7/17/2018 | 1/15/2019 | 11/21/2019 |
| Sale Price | -- | \$5,227,200 | \$784,080 | \$1,070,000 | \$700,000 | \$1,300,000 | \$2,399,720 |
| Gross Land Area (Acres) | 5.30 Ac. | 15.00 Ac. | 3.00 Ac. | 4.05 Ac. | 1.44 Ac. | 5.44 Ac. | 5.51 Ac. |
| Gross Land Area (SF) | 231,008 SF | 653,400 SF | 130,549 SF | 176,549 SF | 62,519 SF | 237,088 SF | 240,190 SF |
| Sale Price per SF | -- | \$8.00 | \$6.01 | \$6.06 | \$11.20 | \$5.48 | \$9.99 |
| Transaction Adjustments | | | | | | | |
| Property Rights | | Similar | Similar | Similar | Similar | Similar | Similar |
| | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Financing | | Similar | Similar | Similar | Similar | Similar | Similar |
| | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Conditions of Sale | | Inferior | Similar | Similar | Similar | Similar | Similar |
| | | 10.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Market Conditions (Time) | | Similar | Inferior | Inferior | Inferior | Inferior | Inferior |
| | | 0.00% | 5.00% | 10.00% | 15.00% | 12.50% | 7.50% |
| Total Transaction Adjustments | | Inferior | Inferior | Inferior | Inferior | Inferior | Inferior |
| | | 10.00% | 5.00% | 10.00% | 15.00% | 12.50% | 7.50% |
| Subtotal (per SF) | | \$8.80 | \$6.31 | \$6.67 | \$12.88 | \$6.17 | \$10.74 |
| Physical Adjustments | | | | | | | |
| Location | | Superior | Superior | Similar | Superior | Inferior | Superior |
| | | -15.00% | -5.00% | 0.00% | -35.00% | 5.00% | -5.00% |
| Frontage/Access/Exposure | | Superior | Inferior | Superior | Inferior | Superior | Superior |
| | | -10.00% | 15.00% | -5.00% | 20.00% | -7.50% | -7.50% |
| Size | | Inferior | Superior | Superior | Superior | Similar | Similar |
| | | 15.00% | -5.00% | -2.50% | -12.50% | 0.00% | 0.00% |
| Shape | | Inferior | Inferior | Similar | Inferior | Similar | Similar |
| | | 5.00% | 15.00% | 0.00% | 15.00% | 0.00% | 0.00% |
| Topography/Vegetation | | Similar | Similar | Similar | Similar | Similar | Similar |
| | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Utilities to Site | | Similar | Similar | Similar | Similar | Similar | Similar |
| | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Zoning | | Similar | Similar | Similar | Similar | Similar | Similar |
| | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Improvements | | Similar | Similar | Similar | Similar | Similar | Similar |
| | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Total Physical Adjustments | | Superior | Inferior | Superior | Superior | Superior | Superior |
| | | -5.00% | 20.00% | -7.50% | -12.50% | -2.50% | -12.50% |
| Overall Qualitative Adjustment | | Superior | Inferior | Superior | Superior | Superior | Superior |
| Indicated Price per SF | | \$8.36 | \$7.57 | \$6.17 | \$11.27 | \$6.01 | \$9.40 |

COMMERCIAL LAND VALUE CONCLUSION: TRACT 8

Prior to adjustments, the land sales indicated prices ranging from \$5.48 to \$11.20 per square foot with an average of \$7.79 per square foot. After adjustments, the land sales indicate the value of the subject site to be in the range of \$4.63 to \$9.66 with an average of \$6.66 per square foot. The concluded land value is **\$6.75** per square foot. The sales utilized were the best sales available as of the date of appraisal and the adjustments are believed to be valid based on our knowledge of the market and comparable land sales we have analyzed.

Based upon our analysis of the land sales and knowledge of the local real estate market, we conclude that the indicated “As Proposed” market value (rounded) as of the effective date of value by the (land) sales comparison approach for Tract 8 is **\$1,360,000**.

The Land Sales Adjustment Analysis for Tract 8 is included on the following page.

| LAND VALUE CONCLUSION - TRACT 8: COMMERCIAL LAND | |
|---|--------------------|
| | Indicators |
| Subject Land Area - Acres | 5.30 Ac. |
| Subject Land Area - Square Feet | 201,694 SF |
| Reconciled Land Value per Square Foot | \$6.75 |
| Reconciled Land Value (Rd) | \$1,360,000 |

| LAND SALES COMPARISON ADJUSTMENT ANALYSIS - TRACT 8: COMMERCIAL LAND | | | | | | | |
|--|--|--------------------------------|--|------------------------------------|----------------------------|-------------------------------|--------------------------------|
| Comparable | Subject | Land Sale No. 1 | Land Sale No. 2 | Land Sale No. 3 | Land Sale No. 4 | Land Sale No. 6 | Land Sale No. 7 |
| Record ID | 7068 | 7108 | 5889 | 6612 | 4537 | 7099 | 7100 |
| Address | Northeast of Highway 181 and Tooter Newlin Drive | NW/C of Hwy 89 and Hwy 181 | SW/S SPID, N of Old Brownsville Road | 7141 Yorktown Boulevard | 6602 Saratoga Blvd | 2802-2822 West Lincoln Avenue | NW/C of IH-2 and Dilworth Road |
| City | Sinton | Sinton | Corpus Christi | Corpus Christi | Corpus Christi | Harlingen | Harlingen |
| County | San Patricio | San Patricio | Nueces | Nueces | Nueces | Cameron | Cameron |
| State | Texas | TX | TX | TX | TX | TX | TX |
| Transaction Type | -- | Pending Contract | Closed Sale | Closed Sale | Closed Sale | Closed Sale | Closed Sale |
| Financing | -- | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller |
| Grantor | -- | Somerset Land Company, LLC | First Assembly of God of the City of Corpus Christi, Texas | Papalote Land and Cattle Co., Ltd. | Chu Mi Bang, et. al. | AMS Harlingen I, LP | AABTCOD, Ltd. |
| Grantee | -- | Shopping Center Interests, LLC | Manok Investments, Ltd. | AP Kessler Investments, Ltd. | Mariano & Lucina Fernandez | Y&O Lincoln, LLC | Coastal LandCo Harlingen, LLC |
| Sale Date | -- | 12/1/2021 | 8/3/2020 | 5/3/2019 | 7/17/2018 | 1/15/2019 | 11/21/2019 |
| Sale Price | -- | \$5,227,200 | \$784,080 | \$1,070,000 | \$700,000 | \$1,300,000 | \$2,399,720 |
| Gross Land Area (Acres) | 4.63 Ac. | 15.00 Ac. | 3.00 Ac. | 4.05 Ac. | 1.44 Ac. | 5.44 Ac. | 5.51 Ac. |
| Gross Land Area (SF) | 201,694 SF | 653,400 SF | 130,549 SF | 176,549 SF | 62,519 SF | 237,088 SF | 240,190 SF |
| Sale Price per SF | -- | \$8.00 | \$6.01 | \$6.06 | \$11.20 | \$5.48 | \$9.99 |
| Transaction Adjustments | | | | | | | |
| | | Similar | Similar | Similar | Similar | Similar | Similar |
| Property Rights | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | Similar | Similar | Similar | Similar | Similar | Similar |
| Financing | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | Similar | Similar | Similar | Similar | Similar | Similar |
| Conditions of Sale | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | Similar | Inferior | Inferior | Inferior | Inferior | Inferior |
| Market Conditions (Time) | | 0.00% | 5.00% | 10.00% | 15.00% | 12.50% | 7.50% |
| | | Similar | Inferior | Inferior | Inferior | Inferior | Inferior |
| Total Transaction Adjustments | | 0.00% | 5.00% | 10.00% | 15.00% | 12.50% | 7.50% |
| Subtotal (per SF) | | \$8.00 | \$6.31 | \$6.67 | \$12.88 | \$6.17 | \$10.74 |
| Physical Adjustments | | | | | | | |
| | | Superior | Superior | Similar | Superior | Superior | Superior |
| Location | | -15.00% | -5.00% | 0.00% | -35.00% | -10.00% | -20.00% |
| | | Superior | Inferior | Superior | Inferior | Superior | Superior |
| Frontage/Access/Exposure | | -20.00% | 5.00% | -15.00% | 10.00% | -17.50% | -17.50% |
| | | Inferior | Superior | Similar | Superior | Inferior | Inferior |
| Size | | 17.50% | -2.50% | 0.00% | -10.00% | 2.50% | 2.50% |
| | | Similar | Inferior | Superior | Inferior | Similar | Similar |
| Shape | | 0.00% | 10.00% | -5.00% | 10.00% | 0.00% | 0.00% |
| | | Similar | Similar | Similar | Similar | Similar | Similar |
| Topography/Vegetation | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | Similar | Similar | Similar | Similar | Similar | Similar |
| Utilities to Site | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | Similar | Similar | Similar | Similar | Similar | Similar |
| Zoning | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | Similar | Similar | Similar | Similar | Similar | Similar |
| Improvements | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | Superior | Inferior | Superior | Superior | Superior | Superior |
| Total Physical Adjustments | | -17.50% | 7.50% | -20.00% | -25.00% | -25.00% | -35.00% |
| Overall Qualitative Adjustment | | Superior | Inferior | Superior | Superior | Superior | Superior |
| Indicated Price per SF | | \$6.60 | \$6.78 | \$5.33 | \$9.66 | \$4.63 | \$6.98 |

MULTIFAMILY MIXED-USE COMMERCIAL LAND (TRACTS 9 AND 10)

For the purposes of valuing the two subject multi-family tracts, sales of similar undeveloped land zoned for similar multifamily or similar proposed development use are utilized. Tract No. 9 contains 9.98 acres and is located northeast of the terminus of Tooter Newlin Drive, along the northern boundary line of the Casa De Oro Apartments, and partially along the northern boundary of the Sinton Community Center and San Patricio Appraisal District building site. Tract No. 10 contains 20.52 acres and is located northeast of the terminus of North Pirate Boulevard, along the northeastern boundary line of Sinton High School property.

The sales utilized in the valuation of the small, mixed-use land tracts outlined above range in pricing from \$0.82 to \$3.75 per square foot and in total land area from 3.16 to 28.16 acres. Although the sales differ widely in terms of size and pricing per square foot, these sales are judged to be the most meaningful recent sales for comparison to the subject multifamily tracts. The subject multifamily tracts are notably larger than typical multifamily development tracts, requiring the inclusion of larger tracts to be considered. The price variance is judged to be primarily due to differences in location and size. These are judged to be the most comparable multifamily development land sales available for use in the valuation of the subject vacant land tracts.

LAND SALES SUMMARY

The land sales for both of the multifamily land tracts are summarized on the following page. Individual sale details are included in the Addenda. The locations of the land sales are outlined in the map following the land sales summary.

| LAND SALES SUMMARY - MULTIFAMILY RESIDENTIAL | | | | | | | |
|--|--|--|-------------------------------------|------------------------------|--------------------------------|--|--|
| | Subject | Land Sale No. 1 | Land Sale No. 2 | Land Sale No. 3 | Land Sale No. 4 | Land Sale No. 5 | Land Sale No. 6 |
| ID | 7068 | 7109 | 7107 | 3925 | 6690 | 4478 | 4479 |
| Property Name | Northeast of the Terminus of Tooter Newlin Drive | Sinton Multifamily Development Tract | Sinton Multifamily Development Land | Land - FM 2165 | Mission Texas Vacant Land Sale | 3.163 Acres Northwest of Buddy Ganem Drive and FM 2986 | 8.689 Acres North of Buddy Ganem Drive and Oak Brook Drive |
| Address | NW/C of Highway 89 and Highway 181 | NE of N. Pirate Blvd. and Hamilton St. | Terminus of Tooter Newlin Drive | 2400 FM 2165 | 1007 Lucksinger Road | Northwest of Buddy Ganem Drive and FM 2986 | North of Buddy Ganem Drive and Oak Brook Drive |
| City | Sinton | Sinton | Sinton | Rockport | Mission | Portland | Portland |
| County | San Patricio | San Patricio | San Patricio | Aransas | Hidalgo | San Patricio | San Patricio |
| Transaction Type | -- | Pending Contract | Pending Contract | Closed Sale | Closed Sale | Closed Sale | Closed Sale |
| Financing | -- | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller |
| Topography | Generally Level | Generally level | Generally level | Generally Level | Level | Level | Level |
| Shape | Irregular | Irregular | Irregular | Irregular | Rectangular | Near Rectangular | Rectangular |
| Utilities | Public Available Nearby | Public Available Nearby | Public Available Nearby | Public Available | Public | Public | Public |
| Zoning | R-2 | R-2 | R-2 | R-6 | C-3L | R-2 | P - Professional Office District |
| Grantor | -- | Somerset Land Company, LLC | Somerset Land Company, LLC | RCC Group, LLC | Casa Bonita Enterprises, LLC | Byrne Construction Company, Inc. | Gerald Guillot |
| Grantee | -- | Blue Water Resource Management, LLC | Torno Properties, LLC | Rockport Harvey Housing, LLC | MV Development Group 1, LP | Coastal Community and Teachers Credit Union | David Jolley DMD, MS, PLLC |
| Sale Date | -- | 12/1/2021 | 12/1/2021 | 5/13/2019 | 1/31/2019 | 9/25/2019 | 9/5/2019 |
| Sale Price | -- | \$2,286,900 | \$1,630,695 | \$1,000,000 | \$675,000 | \$390,000 | \$898,000 |
| Gross Land Area (Acres) | Various | 18.05 Ac. | 9.98 Ac. | 28.16 Ac. | 5.29 Ac. | 3.16 Ac. | 8.69 Ac. |
| Gross Land Area (SF) | Various | 786,258 SF | 434,852 SF | 1,226,519 SF | 230,432 SF | 137,780 SF | 378,493 SF |
| Sale Price per SF | -- | \$2.91 | \$3.75 | \$0.82 | \$2.93 | \$2.83 | \$2.37 |
| Verification | -- | Developer/Sale Contract | Developer/Sale Contract | Broker | Broker | Broker | Broker |

MULTI-FAMILY SALES LOCATION MAP



LAND SALES DISCUSSION-MULTIFAMILY TRACTS: TRACTS 9 AND 10

There have been an increasing number of undeveloped tracts being sold for multifamily development, as demand for and construction of multifamily developments within the general area has experienced growth over the past year (detailed within the market analysis section of this report). Six sales are considered. The sales all occurred from 2019 to 2021. The sales range in size from 3.16 to 28.16 acres and in price from \$0.82 to \$3.75 per square foot. It is noted that Sale Nos. 1 and 2 consist of contracts to purchase multifamily tracts within the Somerset PID development; the contract prices are utilized and are determined to be meaningful due to the scarce data regarding multifamily development tract sales in the Sinton and San Patricio County areas. Due to the fact that the same sales are utilized in the analysis of the two subject Multi-Family Tracts, and since the adjustments are all basically the same for both with the exception of the size and shape adjustments, the following discussion will apply to both Tracts 9 and 10 valuations.

ADJUSTMENT PROCESS

Due to the imperfect nature of real estate markets, we have analyzed the comparables through the application of adjustments based on qualitative comparison. The adjustments made are subjective and are based on market evidence as well the appraiser's research, judgment and experience. The adjustments are

not based on a quantitative analysis tool such as “paired sales” due to the lack of paired sales data; or on multiple regression analysis, due to the lack of enough comparable sales to constitute a statistically valid sample. Therefore, the percentage adjustments summarized on the following grid should be viewed as conveying the degree of subjective adjustment applied, and not the result of a quantitative analysis. Finally, the percentage adjustments applied are reflective of different base numbers, to avoid distortion.

In our final rating of the comparable sales, we have considered the following items of comparability in forming our opinion of land value for the subject.

Property Rights Conveyed

All of the sales utilized in this analysis involved the transfer of the fee simple interest. All of the sales have similar property rights; no adjustments are applied.

Financial Terms

To the best of our knowledge, all of the sales utilized in this analysis were accomplished with cash and/cash down to market-oriented financing. All of the sales have similar financing; no adjustments are applied.

Conditions of Sale

Adjustments for conditions of sale usually reflect the motivations of the buyer and the seller. In many situations, the conditions of sale may significantly affect transaction prices. All of the sales used in this analysis are considered to be "arms-length" market transactions between both knowledgeable buyers and sellers on the open market. Sale No. 3 was sold out of foreclosure; an upward adjustment is applied. The remaining sales are feature similar conditions of sale and are not adjusted. It is noted that there is not a conditions of sale adjustment applied to Sale Nos. 1 and 2, which consist of pending contracts to purchase two multifamily development tracts within the Somerset PID development. This is due to conversation with the project developer and grantees regarding anticipated closing dates (expected by December of 2021) and agreed upon pricing.

Market Conditions

This factor considers the differences in market conditions between the time of the comparable sale and the subject’s date of value. For example, a comparable property which sold during a time of better market conditions would be superior to the subject as of the date of value.

The sales all occurred from 2019 to 2021. Upward adjustments are applied for market conditions (time) are applied to Sale Nos. 3, 4, 5 and 6, which each occurred during 2019. No adjustments are applied to Sale Nos. 1 and 2, which are expected to close by year-end in 2021. The land market in the area has continued to improve since 2018. Market conditions adjustments are adjusted to the same percentages for Tracts 9 and 10.

Location

An adjustment for location is required when the location characteristics of a comparable property are different from those of the subject property. The appraised tracts are located northwest of Highway 89 and Highway 181, within eastern Sinton, San Patricio County.

Tracts 9 and 10

Sale Nos. 1, 3 and 4 are judged to feature inferior locations compared to Tract No. 9; upward adjustments are applied. Sale Nos. 2, 5 and 6 feature similar location to Tract 9; no adjustments are applied. Sale Nos. 1, 5 and 6 are judged similar to Tract 10; no adjustments are applied. Sale No. 2 is judged superior to Tract No. 10, a downward adjustment is applied. Sale Nos. 3 and 4 are judged inferior to Tract 10; upward adjustments are applied

Frontage/Access/Exposure

Tracts 9 and 10 feature somewhat limited frontage along the terminus of established secondary roadways, along with frontage along interior Somerset PID roadway developments. Exposure is considered to be below-average for multifamily development tracts.

Tracts 9 and 10

Sale Nos. 1, 2, 4, 5 and 6 feature similar frontage/access/exposure, no adjustments are applied to Tracts 9 and 10. Sale No. 3 features superior frontage/access/exposure, a downward adjustment is applied for both Tracts 9 and 10.

Size

The size adjustment generally reflects the inverse relationship expressed between unit price and lot size. Smaller lots tend to sell for higher unit prices than larger lots, and vice versa. Hence, positive adjustments were made to larger land parcels, and negative adjustments were made to smaller land parcels when deemed appropriate.

Tract 9

Sale Nos. 1 and 3 are larger than Tract 9, upward adjustments are applied. Sale Nos. 2 and 6 are similar in size, no adjustments are applied. Sale Nos. 4 and 5 are smaller, downward adjustments are applied.

Tract 10

Sale No. 1 is similar in size, no adjustment is applied. Sale Nos. 2, 4, 5 and 6 are smaller than Tract 10, downward adjustments are applied. Sale No. 3 is larger, an upward adjustment is applied.

Shape

The appraised property tracts are generally irregular in configuration; however, they are well suited for the proposed development due to larger land sizing. Tract 9 is more irregular in shape compared to Tract 10. The shape of the site can affect the sales price based on the configuration and how it lends itself to use.

Tract 9

Sale Nos. 1, 2, 5 and 6 feature similar shape, no adjustments are applied. Sale Nos. 3 and 4 are superior in shape, downward adjustments are applied.

Tract 10

Sale Nos. 1 and 6 are judged similar; no adjustments are applied. The remaining sales feature inferior shape, upward adjustments are applied.

Topography/Vegetation

The topography of a site can greatly affect the value. Tracts 9 and 10 are generally level in topography and are cleared and ready for vertical development following completion of the Somerset PID improvements. Sale Nos. 1, 2, 4, 5 and 6 feature similar topography/vegetation, no adjustments are applied. Sale No. 3 features inferior, more dense interior vegetation, an upward adjustment is applied. Tracts 9 and 10 are adjusted similarly due to similarities in topography/vegetation.

Utilities to Site

The presence or lack of available utilities can be a key factor affecting sites. The subject land will have all utilities extended to the borders of the sites as part of the proposed PID improvements. Development engineering and utilities will be extended to the subject making the properties ready for development. Each of the sales feature similar utility access to the borders of the sites, no adjustments are applied.

Zoning

The subject property will be zoned for multi-family use by the City of Sinton as part of the proposed PID. All of the sales are judged to have similar use potential; therefore, no adjustments are applied to Tracts 9 and 10.

SUMMARY OF ADJUSTMENTS

Based on the comparative analysis, the tables on the following pages summarize the adjustments warranted to each land sale.

MULTIFAMILY LAND VALUE CONCLUSION: TRACT 9

Prior to adjustments, the land sales indicated prices ranging from \$0.82 to \$3.75 per square foot with an average of \$2.60 per square foot. After adjustments, the land sales indicate the value of the subject site to be in the range of \$1.31 to \$3.75 with an average of \$2.78 per square foot. The most meaningful sales are Sale Nos. 1, 2 and 4, which range in indicated value from \$3.13 to \$3.75 per square foot. The current contract for the site is \$3.75 per square foot. The concluded land value is **\$3.50** per square foot. The sales utilized were the best sales available as of the date of appraisal and the adjustments are believed to be valid based on our knowledge of the market and comparable land sales we have analyzed.

Based upon our analysis of the land sales and knowledge of the local real estate market, we conclude that the indicated “As Proposed” market value (rounded) as of the effective date of value by the (land) sales comparison approach for Tract 9 is **\$1,520,000**.

The Land Sales Adjustment Analysis for Tract 9 is included on the following page.

| LAND VALUE CONCLUSION - TRACT 9: MULTIFAMILY RESIDENTIAL | |
|--|--------------------|
| | Indicators |
| Subject Land Area - Acres | 9.98 Ac. |
| Subject Land Area - Square Feet | 434,729 SF |
| Reconciled Land Value per Square Foot | \$3.50 |
| Reconciled Land Value (Rd) | \$1,520,000 |

| LAND SALES COMPARISON ADJUSTMENT ANALYSIS - TRACT 9: MULTIFAMILY RESIDENTIAL | | | | | | | |
|--|--|--|-------------------------------------|------------------------------|--------------------------------|--|--|
| Comparable | Subject | Land Sale No. 1 | Land Sale No. 2 | Land Sale No. 3 | Land Sale No. 4 | Land Sale No. 5 | Land Sale No. 6 |
| Record ID | 7068 | 7109 | 7107 | 3925 | 6690 | 4478 | 4479 |
| Property Name | Northeast of the Terminus of Tooter Newlin Drive | Sinton Multifamily Development Tract | Sinton Multifamily Development Land | Land - FM 2165 | Mission Texas Vacant Land Sale | 3.163 Acres Northwest of Buddy Ganem Drive and FM 2986 | 8.689 Acres North of Buddy Ganem Drive and Oak Brook Drive |
| Address | Northeast of the Terminus of Tooter Newlin Drive | NE of N. Pirate Blvd. and Hamilton St. | Terminus of Tooter Newlin Drive | 2400 FM 2165 | 1007 Lucksinger Road | Northwest of Buddy Ganem Drive and FM 2986 | North of Buddy Ganem Drive and Oak Brook Drive |
| City | Sinton | Sinton | Sinton | Rockport | Mission | Portland | Portland |
| County | San Patricio | San Patricio | San Patricio | Aransas | Hidalgo | San Patricio | San Patricio |
| Transaction Type | -- | Pending Contract | Pending Contract | Closed Sale | Closed Sale | Closed Sale | Closed Sale |
| Financing | -- | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller |
| Grantor | -- | Somerset Land Company, LLC | Somerset Land Company, LLC | RCC Group, LLC | Casa Bonita Enterprises, LLC | Byrne Construction Company, Inc. | Gerald Guillot |
| Grantee | -- | Blue Water Resource Management, LLC | Torno Properties, LLC | Rockport Harvey Housing, LLC | MV Development Group 1, LP | Coastal Community and Teachers Credit Union | David Jolley DMD, MS, PLLC |
| Sale Date | -- | 12/1/2021 | 12/1/2021 | 5/13/2019 | 1/31/2019 | 9/25/2019 | 9/5/2019 |
| Sale Price | -- | \$2,286,900 | \$1,630,695 | \$1,000,000 | \$675,000 | \$390,000 | \$898,000 |
| Land Area (Acres) | 9.98 Ac. | 18.05 Ac. | 9.98 Ac. | 28.16 Ac. | 5.29 Ac. | 3.16 Acres | 8.69 Acres |
| Land Area (SF) | 434,729 SF | 786,258 SF | 434,852 SF | 1,226,519 SF | 230,432 SF | 137,780 SF | 378,493 SF |
| Sale Price per SF | -- | \$2.91 | \$3.75 | \$0.82 | \$2.93 | \$2.83 | \$2.37 |
| Transaction Adjustments | | | | | | | |
| Property Rights | | Similar | Similar | Similar | Similar | Similar | Similar |
| Financing | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Conditions of Sale | | Similar | Similar | Inferior | Similar | Similar | Similar |
| Market Conditions (Time) | | 0.00% | 0.00% | 10.00% | 12.50% | 7.50% | 7.50% |
| Total Transaction Adjustments | | Similar | Similar | Inferior | Inferior | Inferior | Inferior |
| Subtotal (per SF) | | \$2.91 | \$3.75 | \$0.99 | \$3.30 | \$3.04 | \$2.55 |
| Physical Adjustments | | | | | | | |
| Location | | Inferior | Similar | Inferior | Inferior | Similar | Similar |
| Frontage/Access/Exposure | | 10.00% | 0.00% | 25.00% | 10.00% | 0.00% | 0.00% |
| Size | | Similar | Similar | Superior | Similar | Similar | Similar |
| Shape | | 0.00% | 0.00% | -15.00% | 0.00% | 0.00% | 0.00% |
| Topography/Vegetation | | Inferior | Similar | Inferior | Superior | Superior | Similar |
| Utilities to Site | | 10.00% | 0.00% | 17.50% | -10.00% | -15.00% | 0.00% |
| Zoning | | Similar | Similar | Superior | Superior | Similar | Similar |
| Improvements | | 0.00% | 0.00% | -10.00% | -10.00% | 0.00% | 0.00% |
| Total Physical Adjustments | | Similar | Similar | Inferior | Similar | Similar | Similar |
| Overall Qualitative Adjustment | | Inferior | Similar | Inferior | Superior | Superior | Similar |
| Indicated Price per SF | | \$3.49 | \$3.75 | \$1.31 | \$2.97 | \$2.59 | \$2.55 |

MULTIFAMILY LAND VALUE CONCLUSION: TRACT 10

Prior to adjustments, the land sales indicated prices ranging from \$0.82 to \$3.75 per square foot with an average of \$2.60 per square foot. After adjustments, the land sales indicate the value of the subject site to be in the range of \$1.38 to \$3.75 with an average of \$2.75 per square foot. The most meaningful sales are Sale Nos. 1, 2 and 4, which range in indicated value from \$2.91 to \$3.75 per square foot. The average indicated value excluding the high and low indication is \$2.85. The current contract for the property is \$2.91 per square foot. The concluded land value is **\$3.00** per square foot. The sales utilized were the best sales available as of the date of appraisal and the adjustments are believed to be valid based on our knowledge of the market and comparable land sales we have analyzed.

Based upon our analysis of the land sales and knowledge of the local real estate market, we conclude that the indicated “As Proposed” market value (rounded) as of the effective date of value by the (land) sales comparison approach for Tract 10 is **\$2,680,000**.

The Land Sales Adjustment Analysis is included on the following page.

| LAND VALUE CONCLUSION - TRACT 10: MULTIFAMILY RESIDENTIAL | |
|--|--------------------|
| | Indicators |
| Subject Land Area - Acres | 20.52 Ac. |
| Reconciled Land Value per Square Foot | \$3.00 |
| Reconciled Land Value (Rd) | \$2,680,000 |

| LAND SALES COMPARISON ADJUSTMENT ANALYSIS - TRACT 10: MULTIFAMILY RESIDENTIAL | | | | | | | |
|---|---|--|-------------------------------------|------------------------------|--------------------------------|--|--|
| Comparable | Subject | Land Sale No. 1 | Land Sale No. 2 | Land Sale No. 3 | Land Sale No. 4 | Land Sale No. 5 | Land Sale No. 6 |
| Record ID | 7068 | 7109 | 7107 | 3925 | 6690 | 4478 | 4479 |
| Property Name | Northeast of the Terminus of North Pirate Boulevard | Sinton Multifamily Development Tract | Sinton Multifamily Development Land | Land - FM 2165 | Mission Texas Vacant Land Sale | 3.163 Acres Northwest of Buddy Ganem Drive and FM 2986 | 8.689 Acres North of Buddy Ganem Drive and Oak Brook Drive |
| Address | Northeast of the Terminus of North Pirate Boulevard | NE of N. Pirate Blvd. and Hamilton St. | Terminus of Tooter Newlin Drive | 2400 FM 2165 | 1007 Lucksinger Road | Northwest of Buddy Ganem Drive and FM 2986 | North of Buddy Ganem Drive and Oak Brook Drive |
| City | Sinton | Sinton | Sinton | Rockport | Mission | Portland | Portland |
| County | San Patricio | San Patricio | San Patricio | Aransas | Hidalgo | San Patricio | San Patricio |
| Transaction Type | -- | Pending Contract | Pending Contract | Closed Sale | Closed Sale | Closed Sale | Closed Sale |
| Financing | -- | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller | Cash to Seller |
| Grantor | -- | Somerset Land Company, LLC | Somerset Land Company, LLC | RCC Group, LLC | Casa Bonita Enterprises, LLC | Byrne Construction Company, Inc. | Gerald Guillot |
| Grantee | -- | Blue Water Resource Management, LLC | Torno Properties, LLC | Rockport Harvey Housing, LLC | MV Development Group 1, LP | Coastal Community and Teachers Credit Union | David Jolley DMD, MS, PLLC |
| Sale Date | -- | 12/1/2021 | 12/1/2021 | 5/13/2019 | 1/31/2019 | 9/25/2019 | 9/5/2019 |
| Sale Price | -- | \$2,286,900 | \$1,630,695 | \$1,000,000 | \$675,000 | \$390,000 | \$898,000 |
| Land Area (Acres) | 20.52 Ac. | 18.05 Ac. | 9.98 Ac. | 28.16 Ac. | 5.29 Ac. | 3.16 Ac. | 8.69 Acres |
| Land Area (SF) | 893,987 SF | 786,258 SF | 434,852 SF | 1,226,519 SF | 230,432 SF | 137,780 SF | 378,493 SF |
| Sale Price per SF | -- | \$2.91 | \$3.75 | \$0.82 | \$2.93 | \$2.83 | \$2.37 |
| Transaction Adjustments | | | | | | | |
| | | Similar | Similar | Similar | Similar | Similar | Similar |
| Property Rights | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | Similar | Similar | Similar | Similar | Similar | Similar |
| Financing | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | Similar | Similar | Inferior | Similar | Similar | Similar |
| Conditions of Sale | | 0.00% | 0.00% | 10.00% | 0.00% | 0.00% | 0.00% |
| | | Similar | Similar | Inferior | Inferior | Inferior | Inferior |
| Market Conditions (Time) | | 0.00% | 0.00% | 10.00% | 12.50% | 7.50% | 7.50% |
| | | Similar | Similar | Inferior | Inferior | Inferior | Inferior |
| Total Transaction Adjustments | | 0.00% | 0.00% | 21.00% | 12.50% | 7.50% | 7.50% |
| Subtotal (per SF) | | \$2.91 | \$3.75 | \$0.99 | \$3.30 | \$3.04 | \$2.55 |
| Physical Adjustments | | | | | | | |
| | | Similar | Superior | Inferior | Inferior | Similar | Similar |
| Location | | 0.00% | -5.00% | 30.00% | 15.00% | 0.00% | 0.00% |
| | | Similar | Similar | Superior | Similar | Similar | Similar |
| Frontage/Access/Exposure | | 0.00% | 0.00% | -15.00% | 0.00% | 0.00% | 0.00% |
| | | Similar | Superior | Inferior | Superior | Superior | Superior |
| Size | | 0.00% | -10.00% | 5.00% | -20.00% | -20.00% | -10.00% |
| | | Similar | Inferior | Inferior | Inferior | Inferior | Similar |
| Shape | | 0.00% | 15.00% | 5.00% | 5.00% | 15.00% | 0.00% |
| | | Similar | Similar | Inferior | Similar | Similar | Similar |
| Topography/Vegetation | | 0.00% | 0.00% | 15.00% | 0.00% | 0.00% | 0.00% |
| | | Similar | Similar | Similar | Similar | Similar | Similar |
| Utilities to Site | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | Similar | Similar | Similar | Similar | Similar | Similar |
| Zoning | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | Similar | Similar | Similar | Similar | Similar | Similar |
| Improvements | | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | | Similar | Similar | Inferior | Similar | Superior | Superior |
| Total Physical Adjustments | | 0.00% | 0.00% | 40.00% | 0.00% | -5.00% | -10.00% |
| Overall Qualitative Adjustment | | Similar | Similar | Inferior | Similar | Superior | Superior |
| Indicated Price per SF | | \$2.91 | \$3.75 | \$1.38 | \$3.30 | \$2.89 | \$2.30 |

COST APPROACH – PROPOSED LOTS

The subject property residential land for proposed lots contains approximately 101.95 acres of residential land area (gross). The developed land area of the subject residential tract (Tract 1), as denoted by the plans and surveys provided, is 67.69 acres. The remaining land area consists of 34.27 acres being drainage areas/greenspace/interior roadways.

Introduction

The Cost Approach is utilized to estimate value for the subject property, 462 proposed single-family lots to be known as Somerset PID. The Cost Approach reflects an analysis of the proposed development including the projected cost to develop the subdivision and the estimated market value of the site (as if undeveloped). This analysis also provides insight as to the feasibility of the development. In performing the Cost Approach, historical development costs of several subdivisions in the general region developed in recent years have been confirmed.

Direct Costs

Projected costs provided by the developer and allocated to the residential portion of the development supported by Marshal and Swift cost estimation handbook, including hard costs, amenities and utilities, total \$1,617,000 which includes labor and materials (grading, streets, drainage, grading, sewer, water distribution, electric service, mailboxes, etc.). Indirect costs consist of developer's profit, engineering, and contingency costs.

Indirect Costs

Indirect costs, including taxes on land during development, engineering fees, tap fees, etc. at 5% to 10% or 7.5% of direct development costs. Also, entrepreneurial incentive is considered. Entrepreneurial incentive is typically required in the 10% to 20% of direct cost range. The projected incentive of 15.0% is judged reasonable due to the size and location of the development current market. When other indirect costs estimated at 7.5% plus entrepreneurial profit of 15.0%, the estimated costs is shown to total \$2,581,338.

Total Development Cost

After an analysis of each component of the project, the estimated total development cost (direct and indirect costs) is \$13,507,638.

Depreciation and Obsolescence

The proposed development will be new at completion. No measurable depreciation or obsolescence is judged present.

COST APPROACH CONCLUSION

The subject property contains 177.36 acres of land area. When the estimated land value is added, the indicated value of the Somerset PID development, 462 single-family lots at lot completion (prior to lot sales) is indicated in the table on the following page.

| COST APPROACH - SINGLE FAMILY | |
|---|----------------------|
| | "As Complete" |
| Depreciated Replacement Cost New | \$13,507,638 |
| Land Value | \$2,410,000 |
| "As Complete" Cost Approach Value (RD) | \$15,920,000 |

A summary of the Cost Approach is included below.

| COST APPROACH SUMMARY (SINGLE FAMILY) | | | |
|--|-----------------|-------------------------------|--|
| Replacement Cost New | No. Lots | Cost per Lot (rounded) | |
| Somerset Single Family | 462 | | |
| Water Service | | \$2,900 | \$1,339,800 |
| Wastewater | | \$3,500 | \$1,617,000 |
| Stormwater/drainage | | \$4,500 | \$2,079,000 |
| Erosion Control/Clearing/Rough Cut | | \$2,500 | \$1,155,000 |
| Pavement and Appurtenances | | \$8,500 | \$3,927,000 |
| Miscellaneous | | \$1,750 | \$808,500 |
| Total Direct Costs | | \$23,650 | \$10,926,300 |
| Plus: Other Indirect Costs (% of Direct Costs) | | 7.5% | \$819,473 |
| Subtotal Replacement Cost New | | | \$11,745,773 |
| Plus: Entrepreneurial Profit (% of RCN) | | 15.0% | \$1,761,866 |
| Total Replacement Cost New (RCN) | | | \$2,581,338 \$13,507,638 |
| Less Accrued Depreciation | | as % | |
| Total Physical Deterioration | | 0.0% | |
| Functional Obsolescence | | 0.0% | |
| External Obsolescence | | 0.0% | |
| Total Depreciation | | 0.0% | |
| Depreciated Replacement Cost New | | | \$13,507,638 |
| Plus Land Value | | | \$2,410,000 |
| Value Indication | | | |
| Indicated Value by Cost Approach | | | \$15,917,638 |
| Rounded | | | \$15,920,000 |

INCOME APPROACH – SUBDIVISION ANALYSIS

PROPOSED LOTS

For purposes of the Income Approach, the individual market value of the proposed lots must be estimated. In this initial analysis the appraisers are estimating the market value of the individual lots using the Sales Comparison Approach.

In the Income Approach, we will estimate the value of the proposed lots using the Sales Comparison Approach by comparing them to similar, recently sold lots in the competing area. Inherent in this approach is the principle of substitution, which holds that when a property is replaceable in the market, its value tends to be set at the cost of acquiring an equally desirable substitute property assuming that no costly delay is encountered in making the substitution.

By analyzing sales that qualify as arms-length transactions between willing and knowledgeable buyers and sellers, the appraisers can identify value and price trends. The properties must be comparable to the subject in physical, locational, and economic characteristics. The basic steps of this approach are:

1. Research recent, relevant property sales and current offerings throughout the competitive area;
2. Select and analyze properties that are similar to the subject;
3. Identify sales that include favorable financing and calculate the cash equivalent price;
4. Reduce the sale prices to a common unit of comparison;
5. Make appropriate adjustments to the prices of the comparable properties;
6. Interpret the adjusted sales data and provide an opinion of value.

The first objective of this approach is to value the subject residential lots in a finished condition. Finished lots are defined as having interior streets and utilities complete to the lot.

Subject Lot Sales

The subject lots include 462 proposed lots. The summary for these lots is included below:

| LAND USE SUMMARY - SOMERSET RESIDENTIAL SUBDIVISION | | | | | | | | |
|---|------------|------------|-----------------|-----------------|---------------------|------------------|----------------------|----------------------------|
| Type | Total Lots | Front Feet | Gross Ac/Lot | Gross SF/Lot | Total Net SF | Total Net Acres | Future Condition | Proposed Condition |
| SFR Lots | 407 Lots | 50 FF | 0.13 Ac. | 5,867 SF | 2,387,727 SF | 54.81 Ac. | Finished Lots | Single Family Homes |
| SFR Lots | 55 Lots | 80 FF | 0.23 Ac. | 10,195 SF | 560,740 SF | 12.87 Ac. | Finished Lots | Single Family Homes |
| Total | 462 | N/A | 0.15 Ac. | 6,382 SF | 2,948,467 SF | 67.69 Ac. | Finished Lots | Single Family Homes |

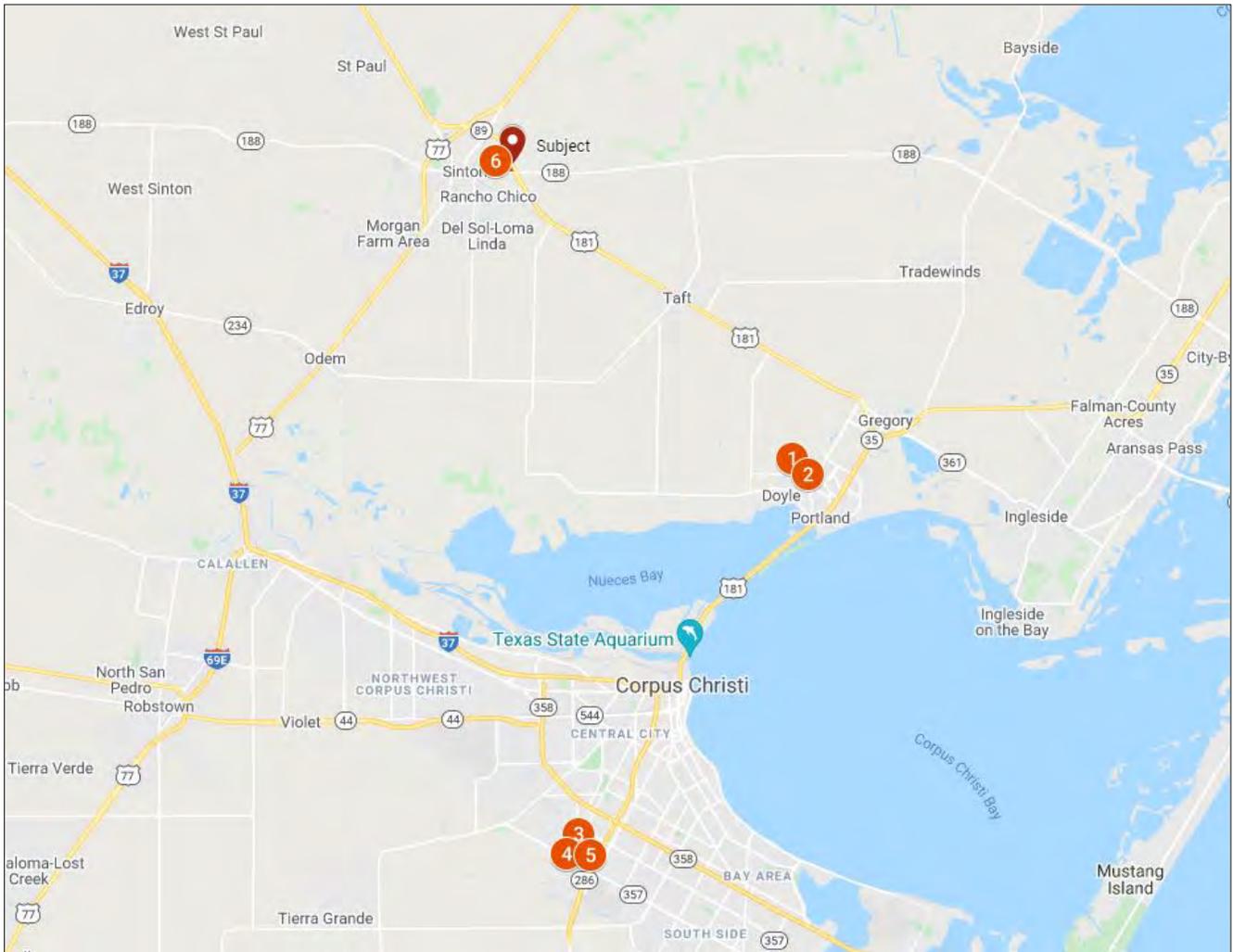
| Concluded Site Areas For Somerset PID | | | |
|---------------------------------------|---------------------|---------------------|--------------------|
| | Size (Square Feet) | Size (Acres) | |
| Residential Lots (Developed Lot Area) | 2,948,467 SF | 67.69 Acres | |
| Greenspace/Drainage/Roadways (Est.) | 1,492,611 SF | 34.27 Acres | |
| Pad Sites | 3,284,724 SF | 75.41 Acres | |
| Total | 7,725,802 SF | 177.36 Acres | |
| | No. | Total Area | |
| Total Number of Lots | 462 | 2,948,467 SF | 67.69 Acres |
| 50'-55' x 110'-115' Lots | 236 | 1,384,227 SF | 31.78 Acres |
| 50' x 110' Lots (Estimated) | 171 | 1,003,500 SF | 23.04 Acres |
| 80' x 120' -137.5' Lots | 55 | 560,740 SF | 12.87 Acres |
| Avg. Lot Size | 462 | 6,382 SF | 0.15 Acres |
| Avg. Front Feet | | 50 FF | |
| | % of Total | Avg. Size | |
| 50'-55' x 110'-115' Lots | 88.10% | 5,867 SF | |
| 80' x 120' -137.5' Lots | 11.90% | 10,195 SF | |

A lot valuation analysis has been completed and discussed below for the lots analyzed. The subject single-family lots will be sold to area home builders and are projected to be sold on a "bulk" lot basis according to "take-down" contracts which are typical in the market for this type of lot.

Comparable Lot Sales

The table below summarizes the comparable sales data and the map following the summary shows the location of the comparable properties in relation to the subject.

| LOT SALE COMPARABLES | | | | | | | | | |
|----------------------|---|------------|--------------------|-----------------------------|--------------|-------------------|--------------------------|-------------------------------|-------------------|
| Sale No. | Project Address/Location | Lot Type | Sale Date | Lot Price Purchase Type | # Lots Sold | Avg. Lot Size | Price Per SF/FF | Avg Home Price | Lot to Home Ratio |
| 1 | David Estates Unit 2 53 Lots | SFR - PUD | 2021 (Proposed) | \$55,000 / Lot Builder | 35 Lots | 6,085 SF 65 FF | \$9.04 /SF \$846 / FF | N/A | N/A |
| 2 | David Estates Unit 5 46 Lots | SFR - R8 | 2021 (Proposed) | \$65,000 / Lot Builder | 17 Lots | 8,409 SF 70 FF | \$7.73 /SF \$929 / FF | N/A | N/A |
| 3 | Saratoga Downs Unit 3 DR Horton/Braselton 94 Lots | SFR - RS-6 | 7/6/2021 | \$35,500 / Lot Developer | 18 Lots | 5,488 SF 47 FF | \$5.56 /SF \$755 / FF | Low 200's | 17.8% |
| 4 | Callicoatte Estates DR Horton 94 Lots | SFR - RS-6 | 3/11/21 | \$44,000 / Lot Developer | 23 Lots | 6,257 SF 49 FF | \$4.87 /SF \$907 / FF | Low 200's to mid 200's | 19.6% |
| 5 | Calallen South Subdivision Uni Hogan 20 Lots | SFR | 2021 | \$49,000 / Lot Developer | 10 Lots | 9,000 SF 60 FF | \$3.39 /SF \$817 / FF | Mid 200's to high 200's | 16.6% to 19.6% |
| 6 | Somerset Subdivision PID DR Horton 406 Lots | SFR - PID | 2021 (Proposed) | \$34,004 / Lot Developer | 236 Lots U/C | 6,382 SF 50 FF | \$5.33 /SF \$680 / FF | \$185,000 \$225,000 | 15.1% to 18.4% |



Discussion of Lot Sales

The data search is focused on bulk lot sales of similar sized lots in competing subdivisions. Sales, pending sales, offers, and/or listings were researched and confirmed. The most comparable data were specifically analyzed and reported herein. The comparable sales utilized were the best available to the appraisers. The single-family lots for Somerset PID development include 407 lots, 50' x 110'-115' in size and 55 lots, 80' x 120' in size. The average total lot size is 6,383 square feet. Average lot size for the 50'-55' x 110'-115' lots is 5,867 square feet. Average lot size for the 80' x 120'-137.5' lots is 10,195 square feet.

The subject proposed single-family lots are projected to be sold under bulk "take down" contracts to builders which is judged to be the typical form of builder lot sales for subdivisions in the subject market area; thus "bulk lot sales" to builders are utilized in the analysis of the subject lots. Even though "bulk" lot sales to builders are considered to be the norm for the subject market area, one group of subject lots is under contract for a "bulk" sale.

A total of 236 50-foot lots are currently under contract to DR Horton as of the date of appraisal under a bulk lot takedown contract for \$34,004 for the initial bulk purchase of 50 fully completed lots, with a minimum of 13 lots being purchased each 90 days thereafter until the remaining lots are closed. DR Horton also is

reportedly committing to the purchase of all of the remaining 50 foot lots within the development. The contract price is indicated to be below-market, based on comparable developed lot sales within the general area, as well as discussions with the developer. Reportedly, the DR Horton contract is below market due to cost incentives provided by PID financing. Additionally, there is a letter of intent for MKP Management to purchase an additional 55 lots at a price of \$46,000 per lot; however, exact specifics of the contract arrangement were not specified.

We have utilized and reflected what information was found and/or reported to be the most recent purchase prices for similar bulk lot sales in competing subdivisions.

Builder Contracts – This subdivision analysis is made under the assumption that the subject lots will be sold under bulk “take-down” contract to area Home Builders which is the typical form of lot sale for the area. The lot contract will be at a fixed lot price for each size of lot. Typical contracts in the market allow for a 6% increase per annum.

Adjustments to the Comparables – Lot Sales

The single-family lot comparables include the subject lot contract as well as comparable lots in David Estates (Units 2 and 5) and Saratoga Downs (Unit 3). The bulk takedown lot purchases range from 47 to 70 front feet, and range in pricing per front foot from \$575 / FF to \$929 / FF. As discussed, adjustments to this group of sales are applied on the basis of price per front foot as these sales typically transfer on this basis. An adjustment grid has been utilized to estimate market value for the subject lots.

In order to value the subject lots, the comparable transactions were adjusted to reflect differences with the subject in regard to various categories that affect market value. If a comparable has an attribute that is considered superior to that of the subject, it is adjusted downward to negate the effect the item has on the price of the comparable. The opposite is true of categories that are considered inferior to the subject and are adjusted upward. The adjustment process considered variations in property rights conveyed, financing terms, conditions of sale, change in market conditions, location, physical and economic characteristics.

Property Rights Conveyed

The subject and the comparables reflected fee simple transactions. No adjustments were warranted.

Financing

All of the transactions were “arms-length” market sales on a per lot basis and per lot pricing in the comparable analysis. No adjustments were warranted.

Conditions of Sale

Only comparables with typical conditions of sale were considered in the analysis, no adjustments for condition of sale were applied. The subject contract to DR Horton is also considered meaningful and is included. The contract, as previously described, is determined to be below-market and offered at a discount in based on the PID reimbursements passed on to the homebuyer, in order to spur demand and development to the remaining tracts within the development. An upward adjustment for discounted sale pricing for the subject contracted 236 and 55 lots is applied.

Market Conditions

Because current economic conditions reflect increasing pricing for completed subdivision lots over time, the appraisers have considered the difference in market conditions between the time of the comparable sale and the date of value. All of the comparable sales occurred during 2021, no adjustments were applied.

Additional Adjustments

Sale Nos. 1, 2, 4 and 5 are judged to features superior locations in areas with greater supporting development and connectivity; downward adjustments are applied. Sale No. 3 is judged inferior due to the area of Corpus Christi in which they are located. The remaining sales are contracted lots out of the subject development; no adjustments are applied. Sale No. 3, which reportedly is subject to street flooding, etc.; and upward adjustment is applied. All of the remaining sales are determined to be similar in site characteristics, impact fees/private sewer; no further adjustments are applied.

After adjustments, the sales indicate values ranging from \$575 / FF to \$929 / FF per front foot with a mean of \$783 / FF. The concluded market value is \$805 / FF for the 50'-55' lots, and \$685 / FF for the 80' lots. These lot prices are in line with comparable lot pricing in similar subdivisions. The lot prices are projected to increase 6% per annum.

Additionally, comparable lot sales in other large developments in San Antonio, San Marcos, etc. are considered. Recent lot sales in these areas in similar priced developments range from \$31,000 to \$47,500, typically in the \$33,000 to \$43,000 range for 50-foot lots. These comparables support the analysis below.

| LOT ADJUSTMENT SUMMARY | | | |
|------------------------------------|------------|-------------------|-----------------------|
| | Low | High | Average |
| Unadjusted Range (Price per FF) | \$575 / FF | \$929 / FF | \$783 / FF |
| Adjusted Range (Price per FF) | \$725 / FF | \$869 / FF | \$806 / FF |
| Concluded 50'-55' Lot Value | | \$805 / FF | \$41,860 / Lot |
| Concluded 80' Lot Value | | \$685 / FF | \$54,800 / Lot |

COMPARABLE LOT SALES ADJUSTMENT GRIDS

Based on the preceding discussion, adjustments to the lot sales are outlined in the tables below.

| RESIDENTIAL LOT ADJUSTMENT GRID | | | | | | | | | | | | | |
|---------------------------------|----------------|----------------------|---------------|----------------|----------------------|---------------|----------------|-----------------------|---------------|---------------------|-------------|---------------|--|
| Subject | | COMPARABLE SALE 1 | | | COMPARABLE SALE 2 | | | COMPARABLE SALE 3 | | COMPARABLE SALE 4 | | | |
| Identification | Somerset PID | David Estates Unit 2 | | | David Estates Unit 5 | | | Saratoga Downs Unit 3 | | Callicoatte Estates | | | |
| Avg. FF | 52 FF | 65 FF | | | 70 FF | | | 47 FF | | 49 FF | | | |
| Sale Price per Lot | \$34,004 | \$55,000 /Lot | | | \$65,000 | | | \$35,500 /Lot | | \$44,000 /Lot | | | |
| Avg. Price per FF | \$654 / FF | \$846 / FF | | | \$929 / FF | | | \$755 / FF | | \$907 / FF | | | |
| Verification Source | Developer | Builder | | | Builder | | | Developer | | Developer | | | |
| VALUE ADJUSTMENTS | DESCRIPTION | + | (-) \$ Adjust | DESCRIPTION | + | (-) \$ Adjust | DESCRIPTION | + | (-) \$ Adjust | DESCRIPTION | + | (-) \$ Adjust | |
| Sale or Financing | Cash to seller | \$ | - | Cash to seller | \$ | - | Cash to seller | \$ | - | Cash to seller | \$ | - | |
| Concessions | None | \$ | - | None | \$ | - | None | \$ | - | None | \$ | - | |
| Property Rights | FS/Builder | \$ | - | FS/Builder | \$ | - | FS/Builder | \$ | - | FS/Builder | \$ | - | |
| Date of Sale/Time | Dec. 2021 | \$ | - | 2021 | \$ | - | 2021 | \$ | - | July-21 | \$ | - | |
| Adjusted Sale Price | | \$ | - | \$ | 846 | \$ | 929 | \$ | 755 | \$ | 907 | \$ | |
| Location | Same | \$ | - | Superior | \$ | (127) | Superior | \$ | (139) | Inferior | \$ | 57 | |
| Property Rights | Fee Simple | \$ | - | Fee Simple | \$ | - | Fee Simple | \$ | - | Fee Simple | \$ | - | |
| Builder Contracts | Same | \$ | - | Similar | \$ | - | Similar | \$ | - | Similar | \$ | - | |
| Site Characteristics | Same | \$ | - | Similar | \$ | - | Similar | \$ | - | Inferior | \$ | 76 | |
| Impact Fees/Private Sewer | Same | \$ | - | Similar | \$ | - | Similar | \$ | - | Similar | \$ | - | |
| Avg. Size (FF) | 52 FF | 65 FF | | | 55 70 FF | | | 45 FF | | \$ (19) 49 FF | | \$ - | |
| Net Adjustment (Total) | | \$ | - | \$ | (72) | \$ | (70) | \$ | 113 | \$ | (91) | \$ | |
| Adjusted Sale Price | | \$ | - | \$ | 774 | \$ | 859 | \$ | 869 | \$ | 816 | \$ | |

| LOT ADJUSTMENT GRID (Cont.) | | | | | | | | | | | | |
|-------------------------------|----------------|-----------------------------------|---------------|----------------|--------------------------|---------------|----------------|--------------------------|---------------|----------------|------------|---------------|
| Comparable No. | Subject | COMPARABLE SALE 5 | | | COMPARABLE SALE 6 | | | COMPARABLE SALE 7 | | | | |
| Identification | Somerset PID | Calallen South Subdivision Unit 1 | | | Somerset Subdivision PID | | | Somerset Subdivision PID | | | | |
| Avg. FF | 52 FF | 60 FF | | | 52 FF | | | 80 FF | | | | |
| Sale Price per Lot | \$34,004 | \$49,000 /Lot | | | \$34,004 /Lot | | | \$46,000 /Lot | | | | |
| Avg. Price per FF | \$654 / FF | \$817 / FF | | | \$654 / FF | | | \$575 / FF | | | | |
| Verification Source | Developer | Developer | | | Developer | | | Developer | | | | |
| VALUE ADJUSTMENTS | DESCRIPTION | + | (-) \$ Adjust | DESCRIPTION | + | (-) \$ Adjust | DESCRIPTION | + | (-) \$ Adjust | DESCRIPTION | + | (-) \$ Adjust |
| Sale or Financing | Cash to seller | \$ | - | Cash to seller | \$ | - | Cash to seller | \$ | - | Cash to seller | \$ | - |
| Concessions | None | \$ | - | None | \$ | - | Discounted | \$ | 131 | Discounted | \$ | 115 |
| Property Rights | FS/Builder | \$ | - | FS/Builder | \$ | - | FS/Builder | \$ | - | FS/Builder | \$ | - |
| Date of Sale/Time | Dec. 2021 | \$ | - | March-21 | \$ | - | December-21 | \$ | - | December-21 | \$ | - |
| Adjusted Sale Price | | \$ | - | \$ | 817 | \$ | 785 | \$ | 785 | \$ | 690 | \$ |
| Location | Same | \$ | - | Superior | \$ | (41) | Same | \$ | - | Same | \$ | - |
| Site Characteristics | Same | \$ | - | Similar | \$ | - | Same | \$ | - | Same | \$ | - |
| Impact Fees/Private Sewer | Same | \$ | - | Similar | \$ | - | Same | \$ | - | Same | \$ | - |
| Size (FF) | 52 FF | 60 FF | | | 41 52 FF | | | 60 FF | | | \$ 35 | |
| Net Adjustment (Total) | | \$ | - | \$ | - | \$ | - | \$ | - | \$ | 35 | \$ |
| Adjusted Sale Price | | \$ | - | \$ | 817 | \$ | 785 | \$ | 785 | \$ | 725 | \$ |

The total projected revenue of the lots (at concluded lot pricing as of the completion date) indicates the average lot price for use in the DCF for the proposed lots. The concluded amounts are shown in the chart below.

| REVENUE - STATIC TOTALS - PROPOSED LOTS | | | | |
|---|--------------------|-----------------|-----------------------|---------------------|
| Property | Lot Size | Total Units | Retail Revenue \$/Lot | Total |
| Somerset PID | 50 FF | 407 Lots | \$41,860 | \$17,037,020 |
| Somerset PID | 80 FF | 55 Lots | \$54,800 | \$3,014,000 |
| Total | 50 & 55 | 462 Lots | \$43,400 | \$20,051,020 |

Finished Lot Ratio Analysis

As a "check" on the indicated value by the comparable lot sales, a finished lot ratio analysis (based on the 50-foot lots) is also considered.

The finished lot ratio analysis provides a relationship between the finished lot prices and the average retail home price. The finished lot ratio analysis provides a check on “reasonableness” comparing the finished lot value with the retail home price. Based on our comparable lot sales, the typical finished lot ratios within the subject market range from approximately 16.8% to 19.6%, with the subject contract ranging from 16.8% to 17.0%. It is noted that the comparable bulk lot takedown comparables consist of developing lots within developing subdivisions, which do not feature completed homes which have been sold. As a result, the estimated range of home pricing is utilized based on intended sale prices by the related builders, as well as sales prices of homes in adjoining and similar residential developments. These general guidelines are useful in checking the overall reasonableness of the finished lot value within a particular market area. Typical lot/home price ratios in Texas are in the 20% to 25% range.

The subject lot sale comparables supported the following finished lot to home ratios.

| LOT TO HOME PRICE RATIO | |
|-------------------------|----------------------|
| Sale No. | Lot to Home \$ Ratio |
| Subject | N/A |
| 1 | N/A |
| 2 | N/A |
| 3 | 17.8% |
| 4 | 19.6% |
| 5 | 18.1% |
| 6 | 16.8% |
| 7 | 17.0% |

The following chart reflects the estimated lot to home lot price ratio based on the previous estimated of Somerset PID development home sales ranging from \$215,000 to \$295,000 as compared to the proposed average home price in the subject:

| FINISHED LOT TO HOME PRICE RATIO | | | | | |
|----------------------------------|-------------|-------------|--------------------------|-----------------|------------------|
| Development | No. of Lots | Avg. Lot FF | Finished Lot (Appraised) | Avg. Home Price | Land/Price Ratio |
| Somerset PID | 407 | 50' | \$41,860 | \$210,000 | 19.93% |
| Somerset PID | 55 | 80' | \$54,800 | \$285,000 | 19.23% |

CONCLUSION

Overall, the indicated subject ratio is slightly above the range reflected by comparables and is judged to be reasonable.

DISCOUNTED CASH FLOW ANALYSIS – INCOME APPROACH

The Income Approach is used by developers to determine the price they can afford to pay for the property and assuming support of a development, utilizing discounted cash flow analysis considering the likely absorption, pricing and selling expenses associated with the development. The residual value conclusion results from taking into account anticipated sales revenues of the proposed lots, costs of infrastructure construction, administration and sales/closing, absorption timing and return expectations. The appraisers developed “market based” build-out models to conclude the following:

In the appraisal of the subject property, a DCF analysis has been completed in order to value the proposed 462 single-family lots. The DCF analysis has been completed assuming that all of the lots are complete as of the “as complete” date of value.

In order to derive sales revenue, the retail values of the finished lots have been estimated via the sales comparison approach as discussed above. The resulting cash flows will be discounted into an as is market value estimate.

TIMING AND ABSORPTION

The absorption rates experienced by competing custom home residential subdivisions were discussed in the Residential Market Overview section of the report and a projection was made as to the subject lot sellout. Supported with the market study and comparable sales contracts, the proposed subject lots are projected to be absorbed within 9 quarters. The projected absorption is further substantiated by the subject lot contract as discussed previously which equates to a total of 236 lots already contracted to DR Horton (and a verbal commitment to purchase all 50’ lots within the development), with an additional letter of intent to purchase 55 lots out of the development.

COSTS, REIMBURSEMENTS AND EXPENSES (SOFT COSTS)

These costs are attributable to the sellout of the remaining subject inventory lots.

MUNICIPAL/DISTRICT REIMBURSEMENTS

The appraisers have not included any potential for reimbursement associated with previously spent infrastructure, as the development is proposed.

INFRASTRUCTURE COSTS

The subject lots are valued as if complete in this analysis with no remaining infrastructure costs. No additional costs associated with the proposed development have been included.

HOA DUES

The developer will not pay any HOA dues during the holding period before the lots are sold.

SALES COMMISSIONS, TITLE AND CLOSING COSTS

It is necessary to include sales commissions in the pro forma plus additional title and closing costs. These costs are typical for a land broker to sell the property over the absorption period. However, bulk lots are

typically sold to merchant builders under rolling option agreements reducing the amount of sales commissions required. Stewart Title indicated that 1.5% of sales proceeds is appropriate for title and closing costs, as closing costs are shared by the lot purchasers under the lot contracts. Typically, a total of 5.0% of the lot sales price is allocated for sales commissions, title and closing costs would be appropriate. However, since all sales are made “in-house”, there are reduced or no sales commissions in the lot sales, we have utilized a 2.0% closing cost/miscellaneous cost in our projection.

MARKETING/ADVERTISING COSTS

An average sales and marketing allowance is warranted, and brokers suggest 1.5% to 2.5% of sale revenues are adequate. However, a portion of the marketing cost is borne by the homebuilders/ lot purchasers. The appraisers have deducted 2.0% marketing/advertising costs to the developer on an annual basis over the projected holding period.

GENERAL ADMINISTRATIVE/OVERHEAD COSTS AND TAXES

Over the duration of the project, the developer's staff and/or hired consultants will have to oversee all aspects of acquisition and periodic site inspections, financial reporting, etc. Per a review of similar cost budgets from comparable developments, general and administrative expenses typically range from 2.0% to 4.0%, trending to lower expense ratios. The appraisers have estimated an allowance of 2.5% of gross sales for general and administration/overhead costs and/or equivalent management fee.

We have calculated the tax burden based on a projected assessed value of \$19,597 for the proposed single-family lots. The projected assessed value per lot was calculated in the Tax Section of this report based on assessed values of comparable lots which have been assessed and similar inventory held lots in nearby competing subdivisions. We have included a line-item cost to reflect declining inventory as units are sold. Taxes are deducted on a quarterly basis per the lot sales projection. The tax payment for each quarter is based on an average of the number of lots held in inventory at the beginning of the year and the number of lots held at the end of the year. Taxes are based on projected sales and reduction in inventory. Tax calculations for the proposed lots are shown in the following charts.

| Annual Tax Projections | | | | | | | | | | |
|--------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Total Income Projections | | | | | | | | | | |
| Quarter | No. of | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| Revenue Source | Lots | | | | | | | | | |
| Subtotal Finished Lots | 462 | 462 | 411 | 360 | 309 | 258 | 207 | 156 | 105 | 54 |
| Lot Sales | | 51 | 51 | 51 | 51 | 51 | 51 | 51 | 51 | 54 |
| Lots Remaining | 462 | 411 | 360 | 309 | 258 | 207 | 156 | 105 | 54 | 0 |
| Total Assessed Value | \$ 19,597 | \$ 19,597 | \$ 19,597 | \$ 19,597 | \$ 19,597 | \$ 19,597 | \$ 19,597 | \$ 19,597 | \$ 19,597 | \$ 19,597 |
| Tax Rate | | \$ 2.7587 | \$ 2.7587 | \$ 2.7587 | \$ 2.7587 | \$ 2.7587 | \$ 2.7587 | \$ 2.7587 | \$ 2.7587 | \$ 2.7587 |
| Tax Per Lot | | \$ 541 | \$ 541 | \$ 541 | \$ 541 | \$ 541 | \$ 541 | \$ 541 | \$ 541 | \$ 541 |
| Taxes - per Quarter | | \$ 58,997 | \$ 52,104 | \$ 45,211 | \$ 38,318 | \$ 31,424 | \$ 24,531 | \$ 17,638 | \$ 10,745 | \$ 3,649 |

REVENUE APPRECIATION

Based on trends in the market we believe prices to be increasing annually with price increases of 6% per annum as discussed earlier.

| ABSORPTION PROJECTIONS AND GROSS REVENUE | | | | | | | | | | | |
|--|-----------------|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Quarterly Analysis | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | |
| Type | Lots | Projected Absorption | | | | | | | | | |
| Absorption 50' | 407 | 45 | 45 | 45 | 45 | 45 | 45 | 45 | 45 | 47 | 407 |
| Absorption 80' | 55 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 7 | 55 |
| Total Absorption | --- | 51 | 51 | 51 | 51 | 51 | 51 | 51 | 51 | 54 | 462 |
| Type | Revenue Per Lot | Projected Absorption | | | | | | | | | |
| Absorption 50' | 407 | 45 | 45 | 45 | 45 | 45 | 45 | 45 | 45 | 47 | |
| Price/Lot | | \$41,860 | \$42,488 | \$43,125 | \$43,772 | \$44,429 | \$45,095 | \$45,772 | \$46,458 | \$47,155 | |
| Aggregate Revenue | | \$1,883,700 | \$1,911,956 | \$1,940,635 | \$1,969,744 | \$1,999,291 | \$2,029,280 | \$2,059,719 | \$2,090,615 | \$2,216,284 | \$18,101,223 |
| Absorption 80' | 55 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 7 | |
| Price/Lot | | \$54,800 | \$55,622 | \$56,456 | \$57,303 | \$58,163 | \$59,035 | \$59,921 | \$60,820 | \$61,732 | |
| Aggregate Revenue | | \$328,800 | \$333,732 | \$338,738 | \$343,819 | \$348,976 | \$354,211 | \$359,524 | \$364,917 | \$432,123 | \$3,204,840 |
| Aggregate Revenue | | \$2,212,500 | \$2,245,688 | \$2,279,373 | \$2,313,563 | \$2,348,267 | \$2,383,491 | \$2,419,243 | \$2,455,532 | \$2,648,407 | \$21,306,063 |

PROFIT

Typically, developer's profit is accounted for in the overall discount rate selection, which is usual market practice and similar to the Korpacz market rate reporting. The discount rates referred to later, as per most studies, includes developers profit as well as risk of capital.

DISCOUNT RATE

Based upon the projected sell-out period, the current status of the subject's entitlements and estimated risk in the land development process, an appropriate discount rate must be selected in arriving at an "as complete" discounted value. In estimating an "as complete" value, the appraiser would project a sell-out period for the bulk parcel at an appropriate market supported absorption rate. Thus, a market supported discount rate would be applied to the net cash flows in arriving at an "as complete" value. Typically, an "all in" discount rate, which includes developer profit, would be utilized in discounting the net cash flows in arriving at an "as complete" value. In addition, the appraisers have reviewed Korpacz and Realty Rate surveys regarding discounts rates (free and clear) for subdivision and development properties. It should be noted the Korpacz is primarily focused on discount rates for residential land development, prior to development.

Subdivision Discount Rates SFR FREE and CLEAR

| | Korpacz 4th Quarter 2020 | Realty Rates 1 st Quarter 2021 |
|---------|--------------------------|---|
| Range | 10.0% - 25.0% | 13.81%-31.02% |
| Average | 15.6% | 20.90% |

Note: Rate on unleveraged, all-cash transactions; including developer's profit

The most recent PWC Korpacz survey that listed discount rates for subdivisions (4thQ 2020) listed free and clear discount rates for proposed subdivision developments (development land) warranting on site infrastructure, ranging from a low of 10% to a high of 25% with an average of 15.6%. The 1st Q 2021 RealtyRates Developer Survey indicates discount rates for proposed Site built residential subdivisions to be in the 13.81% to 31.02% range and average 20.90%. The Korpacz and the RealtyRates Surveys are for development land and include development risk (timing, financing, etc.). Discount rates for projects that have entitlements, like the subject, are typically rates at the lower end of the range of the above noted rates. Discount rates for longer projections are typically slightly higher than those with very short sellout projections.

The greatest risk for development is when a property is in the raw land stage. As the development progresses through the different stages, the risk is reduced. For this assignment, the subject will contain proposed lots, which carry a higher amount of risk. Additionally, new home growth in the Sinton/Corpus Christi market area is currently projected to continue to grow over previous years according to home builders and developers, indicating continued and stable demand for single-family residences with increasing demand for developed lots. Therefore, we have considered a range of discount rates at the mid-range of the rates reflected by the above rates related to similar proposed developments (i.e., undeveloped land proposed for subdivision development) would be employed by potential investors.

The subject property includes 462 proposed single-family lots with a 9-quarter sellout period. Sales in the Gregory/Portland and Corpus Christi area been strong over the recent year. The Somerset PID is in the process of being approved by the City of Sinton. Based upon the projected sell-out period, the current status of the subject's entitlements and estimated risk in the land development process, an appropriate discount rate must be selected in arriving at an "as complete" discounted value. In estimating an "as complete" value, the appraiser would project a sell-out period for the bulk parcel at an appropriate market supported absorption rate. Thus, a market supported discount rate would be applied to the net cash flows in arriving at an "as complete" value. Typically, an "all in" discount rate, which includes developer profit, would be utilized in discounting the net cash flows in arriving at an "as complete" value. In addition, the appraisers have reviewed Korpacz and Realty Rate surveys regarding discounts rates (free and clear) for subdivision and development properties. It should be noted the Korpacz is primarily focused on discount rates for residential land development, prior to development.

The subject property includes 462 proposed single-family lots with a 9-quarter sellout period. Sales in the Gregory/Portland and Corpus Christi area been strong over the recent year. The Somerset PID is in the process of being approved by the City of Sinton. The subdivision is a mid-price range residential subdivision located within a developing area. The investment risk is judged to be slightly higher than average considering the fact that it is a new development which has not begun construction yet. A discount rate of 17.0% to 18.0% say 17.5% (including both developers profit and cost of capital) has been selected).

| Discount Rate and Risk Comparisons | | |
|---|--|-------------------------|
| Factor | Characteristic | Risk Rating |
| <u>Property Location</u> | | |
| Regionally | Corpus Christi MSA | Low |
| Locally | City of Sinton | Medium |
| <u>Property Type Supply/Demand</u> | | |
| Nationally | Stable at historical low levels | Medium |
| State | Year over year growth at low levels, but most areas exceed the national trend. | Medium |
| Local | New Home construction | Low |
| Property Status | New phase of development | Medium |
| Build Out Timeline (Years) | 1 Year | Low |
| Pending Sales | Yes | Low |
| Household Income | Industrial/Commercial Oriented; High rates of contract labor | Medium to High |
| Proposed Home Pricing | At the mid to low range of the competitive market | Medium |
| Overall Risk Rating | | Medium Low |
| Applicable Discount Rate Range | | 15.00% to 20.00% |

INCOME APPROACH VALUE CONCLUSIONS

The appraisers have employed the Excel spreadsheet program. It should be noted that the cash flow is discounted annually. A spreadsheet showing our assumptions and calculations are located on the following page.

Based on our discounted cash flow, utilizing an appropriate discount rate, the indicated "prospective" As if Complete Market value of the Subject property 462 proposed single-family lots as of the prospective appraisal date of, August 1, 2022, is **\$15,850,000**.

| "As Complete" Market Value | | | |
|--|--------------------------|---------------------|--------------------|
| Low to High | | | |
| Survey Rate Increments | Net Present Value | NPVRounded | NPV Per Lot |
| 15.00% | \$16,320,672 | \$16,320,000 | \$35,401 |
| 16.30% | \$16,072,828 | \$16,075,000 | \$34,870 |
| 17.50% | \$15,848,982 | \$15,850,000 | \$34,382 |
| 18.80% | \$15,611,684 | \$15,610,000 | \$33,861 |
| 20.00% | \$15,397,316 | \$15,395,000 | \$33,395 |
| Concluded Market Value by the Income Approach | | \$15,850,000 | \$34,382 |

| Lot Sellout | | | | | | | | | | | |
|---------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|
| Discounted Cash Flow Analysis | | | | | | | | | | | |
| Year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | Total | |
| Subtotal Finished Lots (50') | \$1,883,700 | \$1,911,956 | \$1,940,635 | \$1,969,744 | \$1,999,291 | \$2,029,280 | \$2,059,719 | \$2,090,615 | \$2,216,284 | \$18,101,223 | |
| Subtotal Finished Lots (80') | \$328,800 | \$333,732 | \$338,738 | \$343,819 | \$348,976 | \$354,211 | \$359,524 | \$364,917 | \$432,123 | | |
| Gross Revenue (Inflated) | \$2,212,500 | \$2,245,688 | \$2,279,373 | \$2,313,563 | \$2,348,267 | \$2,383,491 | \$2,419,243 | \$2,455,532 | \$2,648,407 | \$21,306,063 | |
| Expenses, Cost of Sales | | | | | | | | | | | |
| Commission/Closing Costs | -2.0% | -\$44,250 | -\$44,914 | -\$45,587 | -\$46,271 | -\$46,965 | -\$47,670 | -\$48,385 | -\$49,111 | -\$52,968 | -\$426,121 |
| Marketing | -2.0% | -\$44,250 | -\$44,914 | -\$45,587 | -\$46,271 | -\$46,965 | -\$47,670 | -\$48,385 | -\$49,111 | -\$52,968 | -\$426,121 |
| Administrative | -2.5% | -\$55,313 | -\$56,142 | -\$56,984 | -\$57,839 | -\$58,707 | -\$59,587 | -\$60,481 | -\$61,388 | -\$66,210 | -\$532,652 |
| Property Tax | | -\$58,997 | -\$52,104 | -\$45,211 | -\$38,318 | -\$31,424 | -\$24,531 | -\$17,638 | -\$10,745 | -\$3,649 | -\$282,617 |
| Total Expenses | | -\$202,809 | -\$198,073 | -\$193,370 | -\$188,699 | -\$184,062 | -\$179,458 | -\$174,889 | -\$170,355 | -\$175,796 | -\$1,667,511 |
| Net Cash Flow | | \$2,009,691 | \$2,047,614 | \$2,086,003 | \$2,124,864 | \$2,164,205 | \$2,204,033 | \$2,244,354 | \$2,285,177 | \$2,472,611 | \$19,638,552 |
| Present Value Factor | 17.5% | 0.95808 | 0.91792 | 0.87945 | 0.84259 | 0.80727 | 0.77343 | 0.74101 | 0.70995 | 0.68019 | |
| Present Value | | \$1,925,452 | \$1,879,555 | \$1,834,533 | \$1,790,380 | \$1,747,093 | \$1,704,665 | \$1,663,091 | \$1,622,363 | \$1,681,850 | \$15,848,982 |

RECONCILIATION

The subject property encompasses a gross area of 177.36 acres, proposed to be developed with Somerset PID including a 101.95 acres (gross) of residential development land proposed for 462 single-family lots, seven additional tracts of commercial land and two tracts of multifamily development land, in the City of Sinton, San Patricio County, Texas. The appraisal has been completed utilizing the Sales Comparison Approach to estimate the land value of the subject vacant land tracts, and the individual lot values; and the Income Capitalization and Cost Approaches to indicate the value of the proposed single-family residential lots, "as-if complete". The comparable land and lot sales are judged to closely bracket the appraised property and are adequate in supporting absorption projections. Demographic and pertinent market analysis was also utilized in support of the final value conclusions.

The final market value conclusion for the vacant land "as is" is based primarily upon the sales comparison approach (land). The prospective market value as complete for the commercial and multi-family sites is also based on the sales comparison approach (land). The prospective value as complete of the single-family lots grid and analysis for the subject vacant land and the discounted cash flow analysis for the proposed lots. While the Cost Approach is completed regarding the proposed lots, due to development timing, greatest emphasis is applied on the Income Approach.

The concluded "As Is" and "As Complete" values of the subject vacant land and proposed single-family lots are outlined as follows.

| MARKET VALUE CONCLUSION | | | | | |
|--|--------------|--------------|-------------------|------------------|---------------|
| Property Description | Tract Number | Size (Acres) | Appraisal Premise | Value Conclusion | \$/Unit |
| Undeveloped Land (As Is) | N/A | 177.36 Ac. | "As Is" | \$6,165,000 | \$34,750 /Ac |
| Residential Land - Proposed 462 SFR lots | Tract 1 | 67.69 Ac. | "As If Complete" | \$15,875,000 | \$34,361 /Lot |
| Commercial/Retail Development Land | Tract 2 | 7.26 Ac. | "As If Complete" | \$2,135,000 | \$6.75 /SF |
| Commercial/Retail Development Land | Tract 3 | 9.39 Ac. | "As If Complete" | \$2,660,000 | \$6.50 /SF |
| Commercial/Retail Development Land | Tract 4 | 3.32 Ac. | "As If Complete" | \$1,085,000 | \$7.50 /SF |
| Commercial/Retail Development Land | Tract 5 | 5.00 Ac. | "As If Complete" | \$2,235,000 | \$10.25 /SF |
| Commercial/Retail Development Land | Tract 6 | 10.00 Ac. | "As If Complete" | \$3,700,000 | \$8.50 /SF |
| Commercial/Retail Development Land | Tract 7 | 5.30 Ac. | "As If Complete" | \$1,965,000 | \$8.50 /SF |
| Commercial/Retail Development Land | Tract 8 | 4.63 Ac. | "As If Complete" | \$1,360,000 | \$6.75 /SF |
| Multi-Family Development Land | Tract 9 | 9.98 Ac. | "As If Complete" | \$1,520,000 | \$3.50 /SF |
| Multi-Family Development Land | Tract 10 | 20.52 Ac. | "As If Complete" | \$2,680,000 | \$3.00 /SF |

CERTIFICATION

We certify to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and have no personal interest with respect to the parties involved.
4. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. Engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. Compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the Client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
8. Franklin L. Flato, MAI and Hunter S. LaGrange, Appraiser Trainee, have both made a personal inspection of this property on July 21, 2021. No one provided significant real property appraisal assistance to the persons signing this certification.
9. The appraiser has not performed any services regarding the subject within the three-year period immediately preceding acceptance of this assignment..
10. This appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.
11. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
12. As of the date of this report, Franklin L. Flato, MAI, has completed the continuing education program of the Appraisal Institute.
13. Franklin L. Flato, MAI, has extensive experience in the appraisal of similar properties and are licensed by the State of Texas.

FLATO REALTY ADVISORS, LLC

Franklin L. Flato, MAI
President
Certified General Real Estate Appraiser
Texas – TX-1321148-G; Exp. June 30, 2023
E-Mail: franklin@flatorealtyadvisors.com



Hunter S. LaGrange
Appraiser Trainee
Texas – TX-1342036-Trainee
Exp. August 31, 2021
E-Mail: hunter@flatorealtyadvisors.com

ASSUMPTIONS AND LIMITING CONDITIONS

1. Unless otherwise specifically noted in the body of the report, it is assumed that title to the property or properties appraised is clear and marketable and that there are no recorded or unrecorded matters or exceptions to title that would adversely affect marketability or value. Flato Realty Advisors, LLC is not aware of any title defects nor has it been advised of any unless such is specifically noted in the report. However, Flato Realty Advisors, LLC has not examined title and makes no representations relative to the condition thereof. Documents dealing with liens, encumbrances, easements, deed restrictions, clouds and other conditions that may affect the quality of title have not been reviewed. Insurance against financial loss resulting in claims that may arise out of defects in the subject's title should be sought from a qualified title company that issues or insures title to real property.
2. Unless otherwise specifically noted in the body of this report, it is assumed: that the existing improvements on the property or properties being appraised are structurally sound, seismically safe and code conforming; that all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are in good working order with no major deferred maintenance or repair required; that the roof and exterior are in good condition and free from intrusion by the elements; that the property or properties have been engineered in such a manner that the improvements, as currently constituted, conform to all applicable local, state, and federal building codes and ordinances. Flato Realty Advisors, LLC professionals are not engineers and are not competent to judge matters of an engineering nature. Flato Realty Advisors, LLC has not retained independent structural, mechanical, electrical, or civil engineers in connection with this appraisal and, therefore, makes no representations relative to the condition of improvements. Unless otherwise specifically noted in the body of the report: no problems were brought to the attention of Flato Realty Advisors, LLC by ownership or management; Flato Realty Advisors, LLC inspected less than 100% of the entire interior and exterior portions of the improvements; and Flato Realty Advisors, LLC was not furnished any engineering studies by the owners or by the party requesting this appraisal. If questions in these areas are critical to the decision process of the reader, the advice of competent engineering consultants should be obtained and relied upon. It is specifically assumed that any knowledgeable and prudent purchaser would, as a precondition to closing a sale, obtain a satisfactory engineering report relative to the structural integrity of the property and the integrity of building systems. Structural problems and/or building system problems may not be visually detectable. If engineering consultants retained should report negative factors of a material nature, or if such are later discovered, relative to the condition of improvements, such information could have a substantial negative impact on the conclusions reported in this appraisal. Accordingly, if negative findings are reported by engineering consultants, Flato Realty Advisors, LLC reserves the right to amend the appraisal conclusions reported herein.
3. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property was not observed by the appraisers. Flato Realty Advisors, LLC has no knowledge of the existence of such materials on or in the property. Flato Realty Advisors, LLC, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea formaldehyde foam insulation, contaminated groundwater or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The Client is urged to retain an expert in this field, if desired.

Flato Realty Advisors, LLC has inspected, as thoroughly as possible by observation, the land; however, it was impossible to personally inspect conditions beneath the soil. Therefore, no representation is made as to these matters unless specifically considered in the appraisal.

4. All furnishings, equipment and business operations, except as specifically stated and typically considered as part of real property, have been disregarded with only real property being considered in the report unless otherwise stated. Any existing or proposed improvements, on or off-site, as well as any alterations or repairs considered, are assumed to be completed in a workmanlike manner according to standard practices based upon the information submitted to Flato Realty Advisors, LLC. This report may be subject to amendment upon re-inspection of the subject subsequent to repairs, modifications, alterations and completed new construction. Any estimate of Market Value is as of the date indicated; based upon the information, conditions and projected levels of operation.
5. It is assumed that all factual data furnished by the Client, property owner, owner's representative, or persons designated by the Client or owner to supply said data are accurate and correct unless otherwise specifically noted in the appraisal report. Unless otherwise specifically noted in the appraisal report, Flato Realty Advisors, LLC has no reason to believe that any of the data furnished contain any material error. Information and data referred to in this paragraph include, without being limited to, numerical street addresses, lot and block numbers, Assessor's Parcel Numbers, land dimensions, square footage area of the land, dimensions of the improvements, gross building areas, net rentable areas, usable areas, unit count, room count, rent schedules, income data, historical operating expenses, budgets, and related data. Any material error in any of the above data could have a substantial impact on the conclusions reported. Thus, Flato Realty Advisors, LLC reserves the right to amend conclusions reported if made aware of any such error. Accordingly, the Client should carefully review all assumptions, data, relevant calculations, and conclusions within 30 days after the date of delivery of this report and should immediately notify Flato Realty Advisors, LLC of any questions or errors.
6. The date of value to which any of the conclusions and opinions expressed in this report apply, is set forth in the Letter of Transmittal. Further, that the dollar amount of any value opinion herein rendered is based upon the purchasing power of the American Dollar on that date. This appraisal is based on market conditions existing as of the date of this appraisal. Under the terms of the engagement, we will have no obligation to revise this report to reflect events or conditions that occur subsequent to the date of the appraisal. However, Flato Realty Advisors, LLC will be available to discuss the necessity for revision resulting from changes in economic or market factors affecting the subject.
7. Flato Realty Advisors, LLC assumes no private deed restrictions, limiting the use of the subject in any way.
8. Unless otherwise noted in the body of the report, it is assumed that there are no mineral deposits or subsurface rights of value involved in this appraisal, whether they be gas, liquid, or solid. Nor are the rights associated with extraction or exploration of such elements considered unless otherwise stated in this appraisal report. Unless otherwise stated it is also assumed that there are no air or development rights of value that may be transferred.
9. Flato Realty Advisors, LLC is not aware of any contemplated public initiatives, governmental development controls, or rent controls that would significantly affect the value of the subject.
10. The estimate of Market Value, which may be defined within the body of this report, is subject to change with market fluctuations over time. Market value is highly related to exposure time, promotional effort, terms, motivation, and conclusions surrounding the offering. The value estimate(s) consider the productivity and relative attractiveness of the property, both physically and economically, on the open market.
11. Any cash flows included in the analysis are forecasts of estimated future operating characteristics are predicated on the information and assumptions contained within the report. Any projections of income, expenses and economic conditions utilized in this report are not predictions of the future. Rather, they are estimates of current market expectations of future income and expenses. The achievement of the financial projections will be affected by fluctuating economic conditions and is dependent upon other future occurrences that cannot be assured. Actual results may vary from the projections considered herein. Flato Realty Advisors, LLC does not warrant these forecasts will occur. Projections may be affected by circumstances beyond the current realm of knowledge or control of Flato Realty Advisors, LLC.
12. Unless specifically set forth in the body of the report, nothing contained herein shall be construed to represent any direct or indirect recommendation of Flato Realty Advisors, LLC to buy, sell, or hold the properties at the value stated. Such decisions involve substantial investment strategy questions and must be specifically addressed in consultation form.
13. Unless otherwise noted in the body of this report, it is assumed that no changes in the present zoning ordinances or regulations governing use, density, or shape are being considered. The property is appraised assuming that all required licenses, certificates of occupancy, consents, or other legislative or

administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report is based, unless otherwise stated.

14. This study may not be duplicated in whole or in part without the specific written consent of Flato Realty Advisors, LLC nor may this report or copies hereof be transmitted to third parties without said consent, which consent Flato Realty Advisors, LLC reserves the right to deny. Exempt from this restriction is duplication for the internal use of the Client-addressee and/or transmission to attorneys, accountants, or advisors of the Client-addressee. Also exempt from this restriction is transmission of the report to any court, governmental authority, or regulatory agency having jurisdiction over the party/parties for whom this appraisal was prepared, provided that this report and/or its contents shall not be published, in whole or in part, in any public document without the express written consent of Flato Realty Advisors, LLC which consent Flato Realty Advisors, LLC reserves the right to deny. Finally, this report shall not be advertised to the public or otherwise used to induce a third party to purchase the property or to make a "sale" or "offer for sale" of any "security", as such terms are defined and used in the Securities Act of 1933, as amended. Any third party, not covered by the exemptions herein, who may possess this report, is advised that they should rely on their own independently secured advice for any decision in connection with this property. Flato Realty Advisors, LLC shall have no accountability or responsibility to any such third party.
15. Any value estimate provided in the report applies to the entire property, and any pro ration or division of the title into fractional interests will invalidate the value estimate, unless such pro ration or division of interests has been set forth in the report.
16. The distribution of the total valuation in this report between land and improvements applies only under the existing program of utilization. Component values for land and/or buildings are not intended to be used in conjunction with any other property or appraisal and are invalid if so used.
17. The maps, plats, sketches, graphs, photographs and exhibits included in this report are for illustration purposes only and are to be utilized only to assist in visualizing matters discussed within this report. Except as specifically stated, data relative to size or area of the subject and comparable properties has been obtained from sources deemed accurate and reliable. None of the exhibits are to be removed, reproduced, or used apart from this report.
18. No opinion is intended to be expressed on matters which may require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate appraisers. Values and opinions expressed presume that environmental and other governmental restrictions/conditions by applicable agencies have been met, including but not limited to seismic hazards, flight patterns, decibel levels/noise envelopes, fire hazards, hillside ordinances, density, allowable uses, building codes, permits, licenses, etc. No survey, engineering study or architectural analysis has been made known to Flato Realty Advisors, LLC unless otherwise stated within the body of this report. If the consultant has not been supplied with a termite inspection, survey or occupancy permit, no responsibility or representation is assumed or made for any costs associated with obtaining same or for any deficiencies discovered before or after they are obtained. No representation or warranty is made concerning obtaining these items. Flato Realty Advisors, LLC assumes no responsibility for any costs or consequences arising due to the need, or the lack of need, for flood hazard insurance. An agent for the Federal Flood Insurance Program should be contacted to determine the actual need for Flood Hazard Insurance.
19. Acceptance and/or use of this report constitutes full acceptance of the Contingent and Limiting Conditions and special assumptions set forth in this report. It is the responsibility of the Client, or Client's designees, to read in full, comprehend and thus become aware of the aforementioned contingencies and limiting conditions. Neither the Appraiser nor Flato Realty Advisors, LLC assumes responsibility for any situation arising out of the Client's failure to become familiar with and understand the same. The Client is advised to retain experts in areas that fall outside the scope of the real estate appraisal/consulting profession if so desired.
20. Flato Realty Advisors, LLC assumes that the subject analyzed herein will be under prudent and competent management and ownership; neither inefficient nor super-efficient.
21. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined and considered in the appraisal report.
22. No survey of the boundaries of the property was undertaken. All areas and dimensions furnished are presumed to be correct. It is further assumed that no encroachments to the realty exist.
23. The Americans with Disabilities Act (ADA) became effective January 26, 1992. Notwithstanding any discussion of possible readily achievable barrier removal construction items in this report, Flato Realty Advisors, LLC has not made a specific compliance survey and analysis of this property to determine whether it is in conformance with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the ADA. If so, this fact could have a negative effect on the value estimated herein. Since Flato Realty Advisors, LLC has no specific information relating to this issue, nor is Flato Realty Advisors, LLC qualified to make such an assessment, the effect of any possible non-compliance with the requirements of the ADA was not considered in estimating the value of the subject.
24. Client shall not indemnify Appraiser or hold Appraiser harmless unless and only to the extent that the Client misrepresents, distorts, or provides incomplete or inaccurate appraisal results to others, which acts of the Client proximately result in damage to Appraiser. The Client shall indemnify and hold Appraiser harmless from any claims, expenses, judgments or other items or costs arising as a result of the Client's failure or the failure of any of the Client's agents to provide a complete copy of the appraisal report to any third party. In the event of any litigation between the parties, the prevailing party to such litigation shall be entitled to recover from the other reasonable attorney fees and costs.
25. The report is for the sole use of the Client; however, Client may provide only complete, final copies of the appraisal report in its entirety (but not component parts) to third parties who shall review such reports in connection with loan underwriting or securitization efforts. Appraiser is not required to explain or testify as to appraisal results other than to respond to the Client for routine and customary questions. Please note that our consent to allow an appraisal report prepared by Flato Realty Advisors, LLC or portions of such report, to become part of or be referenced in any public offering, the granting of such consent will be at our sole discretion and, if given, will be on condition that we will be provided with an Indemnification Agreement and/or Non-Reliance letter, in a form and content satisfactory to us, by a party satisfactory to us. We do consent to your submission of the reports to rating agencies, loan participants or your auditors in its entirety (but not component parts) without the need to provide us with an Indemnification Agreement and/or Non-Reliance letter.
26. Provision of an Insurable Value by the appraiser does not change the intended use or user of the appraisal. The appraiser assumes no liability for the Insurable Value estimate provided and does not guarantee that any estimate or opinion will result in the subject being fully insured for any possible loss that may be sustained. The appraiser recommends that an insurance professional be consulted. The Insurable Value estimate may not be a reliable indication of the replacement or reproduction cost for any date other than the effective date of this appraisal due to changing costs of labor and materials and due to the changing building codes and governmental regulations and requirements.

DEFINITIONS

The following definitions are derived from The Dictionary of Real Estate Appraisal, Sixth Edition, published by the Appraisal Institute.

- **Absorption Period:** The actual or expected period required from the time a property, group of properties, or commodity is initially offered for lease, purchase, or use by its eventual users until all portions have been sold or stabilized occupancy has been achieved.
- **Absorption Rate:** Broadly, the rate at which vacant space in a property or group of properties for sale or lease has been or is expected to be successfully sold or leased over a specified period of time.
- **Ad Valorem Tax:** A tax levied in proportion to the value of the thing(s) being taxed. Exclusive of exemptions, use-value assessment provisions, and the like, the property tax is an ad valorem tax. (IAAO)
- **Assessed Value:** The value of a property according to the tax rolls in ad valorem taxation; may be higher or lower than market value, or based on an assessment ratio that is a percentage of market value.
- **Cash Equivalency:** An analytical process in which the sale price of a transaction with nonmarket financing or financing with unusual conditions or incentives is converted into a price expressed in terms of cash or its equivalent.
- **Confidential Information:** Information that is either: identified by the client as confidential when providing it to an appraiser and that is not available from any other source; or classified as confidential or private by applicable law or regulation.
- **Contract Rent:** The actual rental income specified in a lease.
- **Disposition Value:** The most probable price that a specified interest in property should bring under the following conditions: 1) Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market; 2) The property is subjected to market conditions prevailing as of the date of valuation; 3) Both the buyer and seller are acting prudently and knowledgeably; 4) The seller is under compulsion to sell; 5) The buyer is typically motivated; 6) Both parties are acting in what they consider their best interests; 7) An adequate marketing effort will be made during the exposure time; 8) Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto; and 9) The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.
- **Effective Rent:** Total base rent, or minimum rent stipulated in a lease, over the specified lease term minus rent concessions; the rent that is effectively paid by a tenant net of financial concessions provided by a landlord.
- **Excess Land:** Land that is not needed to serve or support the existing use. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land has the potential to be sold separately and is valued separately.
- **Excess Rent:** The amount by which contract rent exceeds market rent at the time of the appraisal; created by a lease favorable to the landlord (lessor) and may reflect unusual management, unknowledgeable or unusually motivated parties, a lease execution in an earlier, stronger rental market, or an agreement of the parties.
- **Exposure Time:** 1) The time a property remains on the market; 2) The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market. (USPAP, 2020-2021 ed)
- **Extraordinary Assumption:** An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP 2020-2021 ed.)
- **Fee Simple Estate:** Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.
- **Floor Area Ratio (FAR):** The relationship between the above-ground floor area of a building, as described by the zoning or building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area.
- **Frictional Vacancy:** The amount of vacant space need in a market for its orderly operation. Frictional vacancy allows for move-ins and move-outs.
- **Full Service Lease:** See gross lease.

- **General Vacancy:** A method of calculating any remaining vacancy and collection loss considerations when using discounted cash flow (DCF) analysis, where turnover vacancy has been used as part of the income estimate. The combined effects of turnover vacancy and general vacancy relate to total vacancy and collection loss.
- **Going Concern Value:** An outdated label for the market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed *the market value of the going concern* or *market value of the total assets of the business*.
- **Gross Building Area (GBA):** 1) The total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved; 2) Gross leasable area plus all common areas.
- **Gross Lease:** A lease in which the landlord receives stipulated rent and is obligated to pay all of the property's operating and fixed expenses; also called full-service lease.
- **Hypothetical Condition:** A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP, 2020-2021 ed.)
- **Investment Value:** The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market.
- **Land-to-Building Ratio:** The proportion of land area to gross building area; one of the factors determining comparability of properties.
- **Lease:** A contract in which the rights to use and occupy land, space, or structures are transferred by the owner to another for a specified period of time in return for a specified rent.
- **Leased Fee Interest:** The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.
- **Leasehold Interest:** The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.
- **Lessee:** One who has the right to occupancy and use of the property of another for a period of time according to a lease agreement.
- **Lessor:** One who conveys the rights of occupancy and use to others under a lease agreement.
- **Liquidation Value:** The most probable price that a specified interest in property should bring under the following conditions: 1) Consummation of a sale within a short time period; 2) The property is subjected to market conditions prevailing as of the date of valuation; 3) Both the buyer and seller are acting prudently and knowledgeably; 4) The seller is under extreme compulsion to sell; 5) The buyer is typically motivated; 6) Both parties are acting in what they consider to be their best interests; 7) A normal marketing effort is not possible due to the brief exposure time; 8) Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto; and 9) The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.
- **Market Rent:** The most probable rent that a property should bring in a competitive and open market reflecting the conditions and restrictions of a specified lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs).
- **Market Value:** See body of report for market value definition used in this appraisal.
- **Marketing Time:** An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of The Appraisal Foundation addresses the application and determination of reasonable exposure and marketing time.)
- **Net Lease:** A lease in which the landlord passes on all expenses to the tenant.
- **Net Net Net Lease:** An alternative term for a type of net lease. In some markets, a net net net lease is defined as a lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management; also called NNN lease, triple net lease, or fully net lease.

- **Occupancy Rate:** 1) The relationship or ratio between the potential income from the currently rented units in a property and the income that would be received if all the units were occupied; 2) The ratio of occupied space to total rentable space in the building.
- **Overage Rent:** The percentage rent paid over and above the guaranteed minimum rent or base rent; calculated as a percentage of sales in excess of a specified breakpoint sales volume.
- **Prospective Opinion of Value:** A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or stabilized level of long-term occupancy.
- **Rentable Area:** For office or retail buildings, the tenant's pro rata portion of the entire office floor, excluding elements of the building that penetrate through the floor to the areas below. The rentable area of a floor is computed by measuring to the inside finished surface of the dominant portion of the permanent building walls, excluding any major vertical penetrations of the floor. Alternatively, the amount of space on which rent is based; calculated according to local practice.
- **Retrospective Value Opinion:** A value opinion effective as of a specified historical date. The term *retrospective* does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., "retrospective market value opinion."
- **Shell Rent:** The typical rent paid for retail, office, or industrial tenant space based on minimal "shell" interior finishes (called vanilla finish or white wall finish in some areas). Usually the landlord delivers the main building shell space or some minimum level of interior build-out, and the tenant completes the interior finish, which can include wall, ceiling, and floor finishes; mechanical systems, interior electric, and plumbing. Typically these are long-term leases with tenants paying all or most property expenses.
- **Surplus Land:** Land that is not currently needed to support the existing improvements but cannot be separated from the property and sold off. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel.
- **Turnover Vacancy:** A method of calculating vacancy allowance that is estimated or considered as part of the potential income estimate when using discounted cash flow (DCF) analysis. As units or suites turn over and are available for re-leasing, the periodic vacancy time frame (vacancy window) to re-lease the space is considered.
- **Usable Area:** 1) For office buildings, the actual occupied area of a floor or an office space; computed by measuring from the finished surface or the office side of corridor and other permanent walls, to the center of partitions that separate the office from adjoining usable areas, and to the inside finished surface of the dominant portion of the permanent outer building walls. Sometimes called net building area or net floor area. 2) The area that is actually used by the tenants measured from the inside of the exterior walls to the inside of walls separating the space from hallways and common areas.
- **Value Indication:** A valuer's conclusion of value resulting from the application of an approach to value, e.g., the value indication by the sales comparison approach.
- **Value In Use:** The value of a property assuming a specific use, which may or may not be the property's highest and best use on the effective date of appraisal. Value in use may or may not be equal to market value but is different conceptually.



QUALIFICATIONS OF FRANKLIN L. FLATO, MAI

CAREER SUMMARY

Franklin L. Flato, MAI, founder and president of Flato Realty Advisors, LLC, a commercial real estate appraisal firm active in South Texas and Mexico, since 2012. Prior to founding Flato Realty Advisors, LLC, Mr. Flato served as Vice President – Senior Appraiser, directing the San Antonio office of Grubb & Ellis Landauer, from 2010 through 2012, Senior commercial appraiser at Dugger, Canaday, Grafe, Inc., a San Antonio based appraisal firm, from 1988 through 2010, and Leasing Director for Flato Realty Investments, Inc. from 1986 through 1988. Experience includes legal/court testimony, right-of-way valuation, investment counseling, traditional commercial real estate appraisal, etc.

Mr. Flato has analyzed properties including retail (single tenant, pad site, ground lease, retail centers to regional malls), office buildings (single tenant garden to high rise multi-tenant, call centers, corporate headquarters), industrial properties (warehouse, manufacturing plants, special purpose, maquiladora plants), vacant development tracts, mixed use developments, commercial sites, rural land, ranches, farms, apartment complexes, residential and commercial subdivisions, aircraft related buildings, automobile dealerships, hotels, recreational theme parks, golf courses and country clubs, marinas, etc. on an “as-is” and prospective “as-proposed” basis.

Assignments completed in Texas, Louisiana, Florida, Oklahoma, New Mexico, Colorado, New Jersey, Pennsylvania, Puerto Rico, Honduras and the Republic of Mexico (states of Tamaulipas, Jalisco, Nayarit, Sinaloa, Sonora, Baja California, Baja California Sur, Puebla, Guanajuato, Veracruz, Nuevo Leon, Guerrero, Morelia, Queretaro, Coahuila, San Luis Potosi, Chihuahua, Colima, Quintana Roo, Distrito Federal, and the State of Mexico). He has also qualified as an expert witness in Bexar, San Patricio, Webb, Live Oak, Travis, Goliad, Nueces, Reeves, Harris, Hidalgo and Cameron Counties of Texas and has lectured and been on speaker panels at national and local Appraisal Institute meetings and Right-of-Way functions in San Antonio, Texas, Chicago, Illinois, Cancun, Mexico and Madrid, Spain.

Mr. Flato is fluent in Spanish and has extensive contacts in Mexico and Latin America. Assignments in Mexico include complex retail and mixed use developments, industrial portfolios in most major cities, manufacturing plants including major automobile parts suppliers, resort properties, subdivisions, ranches and rural properties, etc., for international and local clients including major banks, investment firms, developers, etc. Over 100 properties appraised in 2013/2014 and typically 12 to 20 properties per year in Mexico.

PROFESSIONAL DESIGNATIONS/STATE & REGULATORY LICENSURE

- MAI Designation – Appraisal Institute, Certificate No. 11792
- Texas – State Certified General Real Estate Appraiser, License No. 1321148-G
- Colorado – State Certified General Appraiser; License No. CG200001416
- Georgia – State Certified General Real Property Appraiser; License No. 405356

PROFESSIONAL AFFILIATIONS

- Treasurer, Union of Pan American Valuation Associations (UPAV; 2010-2012)
- Chief Delegate to Mexico, Appraisal Institute (2009)
- Member, Free Trade Alliance (2009)
- President, South Texas Chapter of the Appraisal Institute (2008)
- Ambassador to Mexico, Appraisal Institute (2004-2008)
- Director to Past President, South Texas Chapter of the Appraisal Institute (2001-2009)

EDUCATION

Courses and seminars – Appraisal Institute, International Council of Shopping Centers (ICSC); BBA in Real Estate and Urban Land Development at the University of Texas at Austin; certified under the Appraisal Institute’s voluntary program of continuing education for designated members of the Appraisal Institute.



QUALIFICATIONS OF HUNTER S. LAGRANGE

CAREER SUMMARY

Hunter S. LaGrange is an Appraiser Trainee at Flato Realty Advisors, a professional commercial real estate appraisal firm active in South Texas and Mexico. Since joining Flato Realty Advisors in 2019, Mr. LaGrange has gathered experience in appraising commercial properties including industrial buildings, land tracts, offices, ranches, retail buildings, and subdivisions. Additional specialty experience for As-Is and As-Proposed appraisals for commercial and industrially used land tracts, farms and ranches, as well as specialty used industrial properties. As Appraiser Trainee, Mr. LaGrange accompanied his sponsor, Franklin L. Flato, MAI, on property inspections, conducted research regarding the appraised properties and their market areas, confirmed comparable property sales and rentals, analyzed individual market specifics, employed appropriate approaches to value, and wrote appraisal reports under the supervision of Mr. Flato.

Prior to his position as Appraiser Trainee, Mr. LaGrange joined Flato Realty Advisors as a Research Assistant and assisted the team by providing property, market, and industry-specific analytical research support to the appraisal team. Mr. LaGrange holds a Bachelor of Science degree in Agriculture and Applied Economics from Texas Tech University.

PROFESSIONAL AFFILIATIONS/STATE & REGULATORY LICENSURE

- Texas – State Licensed Appraiser Trainee, License No. 1342036 2019-Present

APPRAISAL EDUCATION

- Supervisory Appraiser/Trainee Appraiser Course (4 Hours), McKissock 2019
- 15-hour National USPAP Course (15 Hours), McKissock 2019
- Online Basic Appraisal Procedures (30 Hours), McKissock 2019
- Online Basic Appraisal Principles (30 Hours), McKissock 2019



Certified General Real Estate Appraiser

Appraiser: **Franklin Lockard Flato**

License #: **TX 1321148 G**

License Expires: **06/30/2023**

Having provided satisfactory evidence of the qualifications required by the Texas Appraiser Licensing and Certification Act, Occupations Code, Chapter 1103, authorization is granted to use this title: Certified General Real Estate Appraiser

Chelsea Buchholtz
Chelsea Buchholtz
Commissioner

For additional information or to file a complaint please contact TALCB at www.talcb.texas.gov.



Appraiser Trainee

Trainee: **Hunter Stanton LaGrange**

Authorization #: **TX 1342036 Trainee**

Expires: **08/31/2021**

Supervisor: **Franklin Lockard Flato**

Certification #: **TX 1321148 C**

Having provided satisfactory evidence of the qualifications required by the Texas Appraiser Licensing and Certification Act, Occupations Code, Chapter 1103, authorization is granted to use this title: Appraiser Trainee

Douglas E. Oldmixon
Douglas E. Oldmixon
Commissioner

For additional information or to file a complaint please contact TALCB at www.talcb.texas.gov.



8918 Tesoro Drive, Suite 405 | San Antonio, Texas 78217
Phone: 210-446-3825 | Web: www.flatorealtyadvisors.com

June 28, 2021

Mr. John D. Hobson
City Manager
City of Sinton
301 E. Market
Sinton, Texas 78387

RE: 178 Acre Somerset Public Improvement District (Encompassing the Tax Increment Reinvestment Zone No. 1, City of Sinton), Prospective "As Complete" Market Value Appraisal, Sinton, San Patricio County, Texas

Dear Mr. Hobson,

Thank you for the opportunity to provide a market value appraisal of the above noted property. Flato Realty Advisors, LLC., will complete a market value appraisal of the proposed Somerset PID including 178 acres of land, allocated as 4 R-1 Single Family Residential District tracts (754 finished lots), 2 M Multiple Family District tracts, 21 C-1 Commercial District tracts (valued in 4 groups), 1 I Industrial District tract, and 1 P Professional Office District tract. The valuation will include the contributory value of proposed "trunkline" improvements as well as the finished single family lot and commercial/multi-family development improvements (non-vertical). Our firm has completed a significant number of appraisals of both "as-is" and "prospective" lots and developments both for PID and traditional development financing in the region over the past number of years. We also have significant experience in San Patricio, Aransas and Nueces Counties.

The analysis and report provided will meet the requirements of the Uniform Standards of Professional Practice of the Appraisal Foundation and Code of Ethics of the Appraisal Institute. The scope of work will consist of a physical property inspection, perusal of documents provided, confirmation of comparable commercial and multi-family lot sales, entitled single family lot development sales, development costs as well as acreage land sales and listings, research and confirmation, market analysis, valuation analysis, and preparation of the narrative appraisal report.

It is understood that the purpose of the appraisal is to be for inclusion in an offering document which will be distributed for the purpose of issuing municipal bonds. Flato Realty Advisors, LLC consents to execute necessary certificates in connection therewith (i.e. letter of representation). It is understood that the developer will provide evidence of sufficient funds to complete the improvements contemplated in the appraisal, on hand at the time of bond closing.

Our fee for the market value appraisal, will be \$18,000 payable as 50% (\$9,000) upon engagement and the balance upon completion of the assignment and delivery of the report, to be paid by the City of Sinton. Additional work after completion of the report including, but not limited to, research, preparation for, or court testimony, will be billed at the rate of \$250 per hour. The report can be completed within four weeks of receipt of the executed engagement letter, retainer and subject property information to include (1) survey of land, (2) plat/survey of planned lots, (3) schematic and detail of infrastructure improvements, (4) projected development cost, (5) projected development schedule and (6) any executed or proposed residential or commercial lot sales contracts related to this development.



8918 Tesoro Drive, Suite 405 | San Antonio, Texas 78217
Phone: 210-446-3825 | Web: www.flatorealtyadvisors.com

If this proposal is acceptable, please sign and date a copy of this letter and return it. We will begin work upon receipt of this executed engagement and retainer. Thank you for consideration of our firm in this important assignment.

Signed,

Franklin L. Flato, MAI
President
Flato Realty Advisors, LLC

Signed

Mr. John Hobson
City Manager
City of Sinton

Mutual Limitation of Liability: Appraiser and Client agree that the following mutual limitation of liability is agreed to in consideration of the fees to be charged and the nature of Appraiser's services under this Agreement. Appraiser and Client agree that to the fullest extent permitted by applicable law, each party's and its Personnel's maximum aggregate or joint liability to the other party for claims and causes of action relating to this Agreement or to appraisals or other services under this Agreement shall be limited to the total fees and costs charged by the Appraiser for the services that are subject of the claim(s) or cause(s) of action. This limitation of liability extends to all types of claims or causes of action, whether in breach of contract or tort, including without limitation claims/causes of action for negligence, professional negligence, or negligent misrepresentation on the part of either party or its Personnel, but excluding claims/causes of action for intentionally fraudulent conduct, criminal conduct or intentionally caused injury. The Personnel of each party are intended third-party beneficiaries of this limitation of liability. "Personnel," as used in this paragraph, means the respective party's staff, employees, contractors, members, partners and shareholders. Appraiser and Client agree that they each have been free to negotiate different terms than stated above or contract with other parties.

Residential Land Comparable 1



| Transaction | | | |
|--|--|---------------------------------------|---------------------------------------|
| ID | 7098 | Date | 5/4/2021 |
| Property Name | Undeveloped Portland Master Planned Community Tract | Price | \$6,959,700 |
| Property Type | Subdivision-Residential | Price per Acre | \$35,938 |
| Address | NW of CR 81 and CR 70 | Price per Land SF | \$0.83 |
| City | Portland | Financing | Cash to Seller |
| State | Texas | Property Rights | Fee Simple |
| MSA | Corpus Christi | Days on Market | N/A |
| Tax ID | 52811, 77688 | Conditions of Sale | Arm's Length |
| Grantor | Don and Debra Duprie | Book/Page or Reference Doc | 710201 |
| Grantee | Wildcat Republic, LLC | Verification | Broker |
| Legal Description | 193.66 acres identified as Parcel 1 and Parcel 2, being part of Lot 6 and part of Lot 3 of the Nueces Bay Subdivision of the Coleman Fulton Pasture Company Lands, comprised of a portion of the San Patricio School Land Survey, Abstract Number 35, City of Portland, San Patricio County, Texas | | |
| Site | | | |
| Acres | 193.66 | Topography | Level |
| Land SF | 8,435,830 | Zoning | R-6 |
| Road Frontage | CR 70 and CR 72 | Zoning District | Single Family Residential District |
| Shape | Near Rectangular | Flood Zone | FEMA 48409C0440E; Zone X |
| Utilities | Public Available Nearby | Encumbrance Or Easement | None |
| Landscaping | Row Crops | Rail | None |
| Comments | | | |
| The site features 193.66 acres located northwest of Portland, along the north side of CR 70 (Lang Road) and along the south/southeast side of CR 72. The site was utilized for row crop cultivation (sorghum) and is located within the RS-6 Single Family Residential District of Portland. No utilities are available onsite; however, public utilities are located within adjoining properties and along the road frontage. The site is proposed to be developed with a residential master planned community. | | | |

Residential Land Comparable 2



Transaction

| | | | |
|--------------------------|---|-----------------------------------|----------------|
| ID | 6919 | Date | 5/7/2021 |
| Property Name | 145.50 Acre Tract of Land | Price | \$5,388,400 |
| Property Type | Agricultural-Undeveloped | Price per Acre | \$37,034 |
| Address | County Road 33 (On Oso Creek) | Price per Land SF | \$0.85 |
| City | Corpus Christi | Financing | Cash to Seller |
| State | Texas | Property Rights | Fee Simple |
| MSA | Corpus Christi | Days on Market | Unavailable |
| Tax ID | 200091769, 186672 | Conditions of Sale | Arm's Length |
| Grantor | Jennifer Michelle Camp Johnson | Book/Page or Reference Doc | 2021024390 |
| Grantee | V2 Ventures, LLC | Verification | Broker |
| Legal Description | 154.5 Acres out of Tract 1, Assessors Map 154, Corpus Christi, Nueces County, Texas | | |

Site

| | | | |
|----------------------|---------------------|--------------------------------|--------------------------|
| Acres | 145.50 | Topography | Generally Level |
| Land SF | 6,337,980 | Zoning | OCL |
| Road Frontage | County Road 33 | Zoning District | Outside City Limits |
| Shape | Irregular | Flood Zone | FEMA 4854640356C; Zone C |
| Utilities | Electricity, water | Encumbrance Or Easement | None noted |
| Landscaping | Minimal, palm trees | Rail | None |

Comments

None

Residential Land Comparable 3



| Transaction | | | |
|--------------------------|--|--------------------------------|---|
| ID | 7097 | Date | 5/20/2021 |
| Property Name | Corpus Christi Undeveloped Commercial Land | Price | \$2,000,000 |
| Property Type | Commercial | Price per Acre | \$47,405 |
| Address | NE of SPID and Old Brownsville Road | Price per Land SF | \$1.09 |
| City | Corpus Christi | Financing | Cash to Seller |
| State | Texas | Property Rights | Fee Simple |
| MSA | Corpus Christi | Days on Market | N/A |
| Tax ID | 240160 | Conditions of Sale | Arm's Length |
| Grantor | Doyle and Judy Hobbs, et. al. | Book/Page or Reference | 2021026582 |
| Grantee | Next Sports Company, LLC | Doc | |
| | | Verification | Broker |
| Legal Description | Being 42.19 acres of land comprised of a 31.08 acre tract north of Old Brownsville Road and an 11.11 acre tract south of Old Brownsville Road, and being out of Farm Lots 1 and 8, Section 5, Range VIII, Gugenheim and Cohn Farm Lots, City of Corpus Christi, Nueces County, Texas | | |
| Site | | | |
| Acres | 42.19 | Topography | Level |
| Land SF | 1,837,796 | Zoning | CN-1, CG-2 |
| Road Frontage | Old Brownsville Road and Cliff Maus Drive | Zoning District | Neighborhood Commercial 1 District and General Commercial 2 District |
| Shape | Irregular | Flood Zone | FEMA 4854640165C; Zone C |
| Utilities | Public Available Nearby | Encumbrance Or Easement | Bisected by Old Brownsville Road |
| Landscaping | Row Crops | Rail | None |
| Comments | | | |

The site features 42.19 acres with 31.08 acres located along the northwest corner of Old Brownsville Road and Cliff Maus Drive and 11.11 acres located along the southwest corner of Old Brownsville Road and Cliff Maus Drive. The site was utilized for row crop cultivation and is located within the CN-1 and CG-2 zoning districts of Corpus Christi. No utilities are available onsite; however, public utilities are located within adjoining properties and overhead electricity is available along the road frontage.

Residential Land Comparable 4



Transaction

| | | | |
|--------------------------|---|-----------------------------------|----------------|
| ID | 7172 | Date | 2/12/2021 |
| Property Name | Undeveloped Residential Land: Lands Road | Price | \$1,200,000 |
| Property Type | Residential (Single-Family) | Price per Acre | \$34,325 |
| Address | Terminus of Lands Road | Price per Land SF | \$0.79 |
| City | Corpus Christi | Financing | Cash to Seller |
| State | Texas | Property Rights | Fee Simple |
| MSA | Corpus Christi | Days on Market | N/A |
| Tax ID | 197930, 200074239 | Conditions of Sale | Arm's Length |
| Grantor | Zeba, LLC and Seaside Builders, LLC | Book/Page or Reference Doc | 2021010412 |
| Grantee | MVR Construction Company | Verification | Broker |
| Legal Description | A 34.96 acre tract, situated in Lot 6, Section 7, Bohemian Colony Lands Subdivision, City of Corpus Christi, Nueces County, Texas | | |

Site

| | | | |
|----------------------|---|--------------------------------|--------------------------|
| Acres | 34.96 | Topography | Generally level |
| Land SF | 1,522,858 | Zoning | RS-6 |
| Road Frontage | Terminus of Lands Road, Citation Drive and Aquaduct Drive | Zoning District | Single Family 6 District |
| Shape | Irregular | Flood Zone | FEMA 4854640277C; Zone C |
| Utilities | Public Available Nearby | Encumbrance Or Easement | None |
| Landscaping | Low scattered brush | Rail | None |

Comments

The site features 34.96 acres, located along the terminus of Lands Road, west of Highway 286 in Corpus Christi. The site is proposed to be developed for the last phase of the Saratoga Downs residential development, with room for approximately 170-180 developed lots. The site does not feature onsite utilities; however, public utilities are available in adjoining properties and along the northwestern border of the site.

Residential Land Comparable 5



| Transaction | | | |
|--------------------------|--|-----------------------------------|---|
| ID | 6917 | Date | 6/8/2021 |
| Property Name | 34.20 Acre Tract of Land | Price | \$1,078,620 |
| Property Type | Agricultural-Undeveloped | Price per Acre | \$31,542 |
| Address | Wraps NE/C Ramfield and Roscher | Price per Land SF | \$0.72 |
| City | Corpus Christi | Financing | Cash to Seller |
| State | Texas | Property Rights | Fee Simple |
| MSA | Corpus Christi | Days on Market | Unavailable |
| Tax ID | 232401 | Conditions of Sale | Arm's Length |
| Grantor | James Urban, et al | Book/Page or Reference Doc | 2021028344 |
| Grantee | Mostaghasi Hossein, et al | Verification | Broker |
| Legal Description | Lots 31 and 32, Section 39, Flour Bluff and Encinal Farm and Garden Tracts, Corpus Christi, Nueces County, Texas | | |
| Site | | | |
| Acres | 34.20 | Topography | Generally Level |
| Land SF | 1,489,578 | Zoning | RS-22, FR |
| Road Frontage | 1,176' Ramfield Rd; 1,162' Roscher Rd | Zoning District | Single-Family 22 and Farm-Rural Districts |
| Shape | Irregular | Flood Zone | FEMA 4854640315D; Zone C |
| Utilities | Electricity, water | Encumbrance Or Easement | None noted |
| Landscaping | Mature trees, grass | Rail | None |

Comments

The property transacted for land value, as the improvements onsite were not considered to measurably contribute due to age/condition as well as future development of the site.

Residential Land Comparable 6



Transaction

| | | | |
|--------------------------|--|-------------------------------|----------------|
| ID | 6533 | Date | 12/9/2019 |
| Property Name | 8000 Yorktown Blvd | Price | \$1,372,000 |
| Property Type | Agricultural-Undeveloped | Price per Acre | \$45,733 |
| Address | 8000 Yorktown | Price per Land SF | \$1.05 |
| City | Corpus Christi | Financing | Cash to Seller |
| State | Texas | Property Rights | Fee Simple |
| MSA | Corpus Christi | Days on Market | 2273 |
| Tax ID | 232241, 232243 | Conditions of Sale | Arm's Length |
| Grantor | Edward M. Cantu, et al | Book/Page or Reference | 2019051164 |
| Grantee | Mostaghassi Enterprises, Inc. | Doc Verification | Broker |
| Legal Description | Lots 2, 4 & 5, Section 34, Flour Bluff & Encinal Farms & Garden Tracts, Corpus Christi, Nueces County, Texas | | |

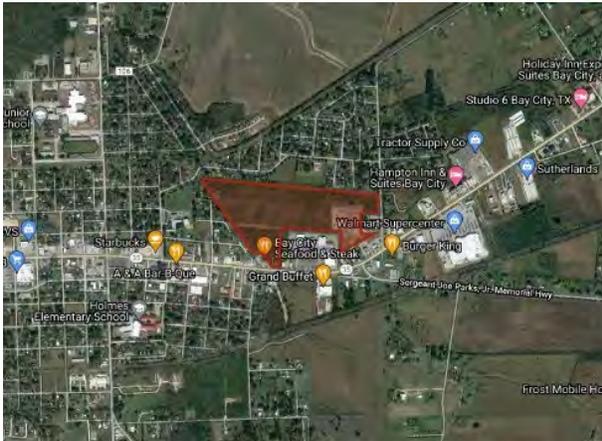
Site

| | | | |
|----------------------|--------------------|------------------------|-----------------------------|
| Acres | 30.00 | Topography | Generally Level |
| Land SF | 1,306,800 | Zoning | CG-2 |
| Road Frontage | Yorktown Boulevard | Zoning District | General Commercial District |
| Shape | Irregular | Flood Zone | FEMA 4854940540C; Zone A13 |
| Utilities | None | Encumbrance Or | Floodplain/drainage |
| Landscaping | Grass | Rail | None |

Comments

None

Residential Land Comparable 7



| Transaction | | | |
|--------------------------|---|-------------------------------|-----------------------------|
| ID | 7105 | Date | 7/1/2021 |
| Property Name | Bay City Mixed Use Development Land | Price | \$1,882,915 |
| Property Type | Mixed Use | Price per Acre | \$36,284 |
| Address | NW of Hwy 35 and Old Van Vleck Road | Price per Land SF | \$0.83 |
| City | Bay City | Financing | Cash to Seller |
| State | Texas | Property Rights | Fee Simple |
| MSA | Bay City | Days on Market | N/A |
| Tax ID | 19964, 19988 | Conditions of Sale | Arm's Length |
| Grantor | Ann Uher, et. al. | Book/Page or Reference | Not yet recorded |
| Grantee | Not yet recorded | Doc Verification | Broker |
| Legal Description | 51.894 acres situated in I&G N RR Company Survey, Abstract Numbers 270 and 271, Bay City, Matagorda County, Texas | | |
| Site | | | |
| Acres | 51.89 | Topography | Generally level |
| Land SF | 2,260,503 | Zoning | Unrestricted |
| Road Frontage | Highway 35 and Old Van | Zoning District | Unrestricted |
| Shape | Irregular | Flood Zone | FEMA 48321C0252F; Zone X |
| Utilities | Public Available Nearby | Encumbrance Or | None |
| Landscaping | Scattered to dense brush and tree cover | Rail | None |

Comments

The site features 51.894 acres and is unrestricted and will be developed with a mixture of residential and commercial uses. City utilities are available within adjoining properties and along the road frontage. There is an older residence located along the Highway 35 road frontage; however, the residence is not determined to contribute measurable value to the tract over land value due to age and condition. Bay City is experiencing rapid growth due to development of a \$1.8b Tenaris Facility (Pipe Mill), expansion of Chevron Phillips Plant, and expansion of the South Texas Nuclear Project.

Commercial Land Comparable 1



| Transaction | | | |
|---|---|---------------------------------------|-----------------------------|
| ID | 7108 | Date | 12/1/2021 |
| Property Name | Sinton Commercial Corner Tract | Price | \$5,227,200 |
| Property Type | Commercial | Price per Acre | \$348,480 |
| Address | NW/C of Hwy 89 and Hwy 181 | Price per Land SF | \$8.00 |
| City | Sinton | Financing | Cash to Seller |
| State | Texas | Property Rights | Fee Simple |
| MSA | Corpus Christi | Days on Market | N/A |
| Tax ID | 63706 (Parent) | Conditions of Sale | Arm's Length |
| Grantor | Somerset Land Company, LLC | Book/Page or Reference Doc | Sale Contract |
| Grantee | Shopping Center Interests, LLC | Verification | Developer/Sale Contract |
| Legal Description | 15.0 acres situated in the John Henderson Survey, Abstract Number 156, and the Archibald Herron Survey, Abstract Number 166, City of Sinton, San Patricio | | |
| Site | | | |
| Acres | 15.00 | Topography | Generally level |
| Land SF | 653,400 | Zoning | C |
| Road Frontage | Highway 89 and Highway 181 | Zoning District | Commercial District |
| Shape | Irregular | Flood Zone | FEMA 48409C0275E; Zone X |
| Utilities | Public Available Nearby | Encumbrance Or Easement | None |
| Landscaping | Cleared to scattered brush and tree cover | Rail | None |
| Comments | | | |
| The site features 15.0 acres located along the northwest corner of Highway 89 and Highway 181, south of the TDI Steel Plant development. The site is proposed to be developed with a corner convenience store/gas station as well as multiple smaller pad site developments within the western portion. The site features public utilities along the road frontage; however, utilities are not connected onsite. The site is expected to close by December 1, 2021, as noted by the site developer. | | | |

Commercial Land Comparable 2



| Transaction | | | |
|--------------------------|---|-----------------------------------|----------------------------------|
| ID | 5889 | Date | 8/3/2020 |
| Property Name | 3.00 Acres SW/s SPID and N of Old Brownsville Rd | Price | \$784,080 |
| Property Type | Commercial | Price per Acre | \$261,622 |
| Address | SW/S SPID, N of Old Brownsville Road | Price per Land SF | \$6.01 |
| City | Corpus Christi | Financing | Cash to Seller |
| State | Texas | Property Rights | Fee Simple |
| MSA | Corpus Christi | Days on Market | N/A |
| Tax ID | 592570 | Conditions of Sale | Arm's Length |
| Grantor | First Assembly of God of the City of Corpus Christi, Texas | Book/Page or Reference Doc | 2020034142 |
| Grantee | Manok Investments, Ltd. | Verification | Broker |
| Legal Description | 2.997 Acres out of Lot 6, Section 5, Range III, Gugenheim and Cohns Farm Lots, City of Corpus Christi, Nueces County, Texas | | |
| Site | | | |
| Acres | 3.00 | Topography | Generally level |
| Land SF | 130,549 | Zoning | IL |
| Road Frontage | South Padre Island Drive | Zoning District | Light Industrial District |
| Shape | Rectangular | Flood Zone | FEMA 4854640165C; Zone C |
| Utilities | Public Available | Encumbrance Or Easement | Shared entrance drive along SPID |
| Landscaping | Row crop cultivation | Rail | None |
| Comments | | | |

The sale features 2.997 acres with 170 feet of frontage along the south side of SPID. The site also features a shared entrance drive (TXDOT) with the southeastern-adjointed property.

Commercial Land Comparable 3



Transaction

| | | | |
|--------------------------|--|---------------------------------------|----------------|
| ID | 6612 | Date | 5/3/2019 |
| Property Name | Undeveloped Land Yorktown Blvd. | Price | \$1,070,000 |
| Property Type | Industrial | Price per Acre | \$264,002 |
| Address | 7141 Yorktown Boulevard | Price per Land SF | \$6.06 |
| City | Corpus Christi | Financing | Cash to Seller |
| State | Texas | Property Rights | Fee Simple |
| MSA | Corpus Christi | Days on Market | N/A |
| Tax ID | 373085 | Conditions of Sale | Arm's Length |
| Grantor | Papalote Land and Cattle Co., Ltd. | Book/Page or Reference Doc | 2019017259 |
| Grantee | AP Kessler Investments, Ltd. | Verification | Broker |
| Legal Description | Lot 3, Block 1, Rodd Field Industrial Park, City of Corpus Christi, Nueces County, | | |

Site

| | | | |
|----------------------|----------------------|--------------------------------|-----------------------------|
| Acres | 4.05 | Topography | Generally Level |
| Land SF | 176,549 | Zoning | IL |
| Road Frontage | Yorktown Boulevard | Zoning District | Light Industrial |
| Shape | Rectangular | Flood Zone | FEMA 4854940540C; Zone C |
| Utilities | Public | Encumbrance Or Easement | None |
| Landscaping | Low, scattered brush | Rail | None |

Comments

None

Commercial Land Comparable 4



| Transaction | | | |
|--------------------------|--|---------------------------------------|----------------------------------|
| ID | 4537 | Date | 7/17/2018 |
| Property Name | 1.4352 Acres NW of Saratoga Blvd & Airline Rd | Price | \$700,000 |
| Property Type | Commercial | Price per Acre | \$487,723 |
| Address | 6602 Saratoga Blvd | Price per Land SF | \$11.20 |
| City | Corpus Christi | Financing | Cash to Seller |
| State | Texas | Property Rights | Fee Simple |
| MSA | Corpus Christi | Days on Market | 168 |
| Tax ID | 374521 | Conditions of Sale | Arm's Length |
| Grantor | Chu Mi Bang, et. al. | Book/Page or Reference Doc | 2018030739 |
| Grantee | Mariano & Lucina Fernandez | Verification | Broker |
| Legal Description | 1.4352 Acres being Lot 6C, Block 6, Bent Tree Subdivision, Unit 2, City of Corpus Christi, Nueces County, Texas | | |
| Site | | | |
| Acres | 1.44 | Topography | Level |
| Land SF | 62,519 | Zoning | CG-2 |
| Road Frontage | Saratoga Boulevard | Zoning District | General Commercial 2 District |
| Shape | Near Rectangular | Flood Zone | FEMA 4854640315D; Zone X |
| Utilities | Public | Encumbrance Or Easement | None |
| Landscaping | Low grass | Rail | None |
| Comments | | | |
| None. | | | |

Commercial Land Comparable 5



| Transaction | | | |
|--|---|--------------------------------|--|
| ID | 4479 | Date | 9/5/2019 |
| Property Name | 8.689 Acres North of Buddy Ganem Drive and Oak Brook Drive | Price | \$898,000 |
| Property Type | Agricultural-Undeveloped | Price per Acre | \$103,349 |
| Address | North of Buddy Ganem Drive and Oak Brook Drive | Price per Land SF | \$2.37 |
| City | Portland | Financing | Cash to Seller |
| State | Texas | Property Rights | Fee Simple |
| MSA | Corpus Christi | Days on Market | 1087 |
| Tax ID | 56841 | Conditions of Sale | Arm's Length |
| Grantor | Gerald Guillot | Book/Page or Reference | 691877 |
| Grantee | David Jolley DMD, MS, PLLC | Doc | |
| Verification | | Doc | Broker |
| Legal Description | 8.689 Acres being all of Tract 1 and 2, Section P, George H. Paul Subdivision of the Coleman Fulton Pasture Company, San Patricio County, Texas | | |
| Site | | | |
| Acres | 8.69 | Topography | Level |
| Land SF | 378,493 | Zoning | P - Professional Office District |
| Road Frontage | 522' N/S Buddy Ganem Drive | Zoning District | Professional Office District |
| Shape | Rectangular | Flood Zone | FEMA 48409C0440E; Zone X |
| Utilities | Public | Encumbrance Or Easement | Shallow drainage ditch located along the north side of Buddy Ganem Drive |
| Landscaping | Low-cut grass/cultivated land | Rail | None |
| Comments | | | |
| The property sold for \$900,000, for future development as an orthodontist office. The property was on the market for 1,087 days, and was originally listed for sale at \$1,200,000. The property is level in topography with a sloping drainage ditch along the southern border of the property, along the north side of Buddy Ganem Drive. | | | |

Commercial Land Comparable 6



| Transaction | | | |
|--------------------------|--|-----------------------------------|--------------------------|
| ID | 7099 | Date | 1/15/2019 |
| Property Name | Harlingen Commercial | Price | \$1,300,000 |
| Property Type | Retail-Pad | Price per Acre | \$238,848 |
| Address | 2802-2822 West Lincoln Avenue | Price per Land SF | \$5.48 |
| City | Harlingen | Financing | Cash to Seller |
| State | Texas | Property Rights | Fee Simple |
| MSA | Brownsville-Harlingen | Days on Market | N/A |
| Tax ID | 359829, 359830, 359831, 359832, 359833 | Conditions of Sale | Arm's Length |
| Grantor | AMS Harlingen I, LP | Book/Page or Reference Doc | 20191621 |
| Grantee | Y&O Lincoln, LLC | Verification | Broker |
| Legal Description | 5.4428 Acres being Lots 10, 11, 12, 13 and 14, Block 1, Harlingen Corners Retail Center Addition, City of Harlingen, Cameron County, Texas | | |
| Site | | | |
| Acres | 5.44 | Topography | Level |
| Land SF | 237,088 | Zoning | GR |
| Road Frontage | West Lincoln Avenue | Zoning District | General Retail District |
| Shape | Rectangular | Flood Zone | FEMA 48061C0265F; Zone X |
| Utilities | Public Available | Encumbrance Or | None |
| Landscaping | Low cut grass | Rail | None |
| Comments | | | |

The site features a total of 5.4428 acres consisting of 5 commercial pad sites. Lot 10: 1.07 acres; Lot 11: 1.0748 acres; Lot 12: 1.076 acres; Lot 13: 1.111 acres; Lot 14: 1.111 acres. The commercial pad sites are located along the north side of West Lincoln Avenue, in proximity to multiple power centers and large-scale commercial development southwest of IH-2 and Highway 77. The sites are level in topography and ready for vertical development with public utilities available (not connected onsite).

Commercial Land Comparable 7



Transaction

| | | | |
|--------------------------|--|-------------------------------|----------------|
| ID | 7100 | Date | 11/21/2019 |
| Property Name | Harlingen IH-2 | Price | \$2,399,720 |
| Property Type | Commercial | Price per Acre | \$435,205 |
| Address | NW/C of IH-2 and Dilworth Road | Price per Land SF | \$9.99 |
| City | Harlingen | Financing | Cash to Seller |
| State | Texas | Property Rights | Fee Simple |
| MSA | Brownsville-Harlingen | Days on Market | N/A |
| Tax ID | 429296, 429297, 429298 | Conditions of Sale | Arm's Length |
| Grantor | AABTCOD, Ltd. | Book/Page or Reference | 201943040 |
| Grantee | Coastal LandCo Harlingen, LLC | Verification | Broker |
| Legal Description | A 5.514 acre tract of land being 5.051 acres out of Lot 2 and 0.463 acres out of Lot 3, Block 16, Thompson Subdivision, City of Harlingen, Cameron County, | | |

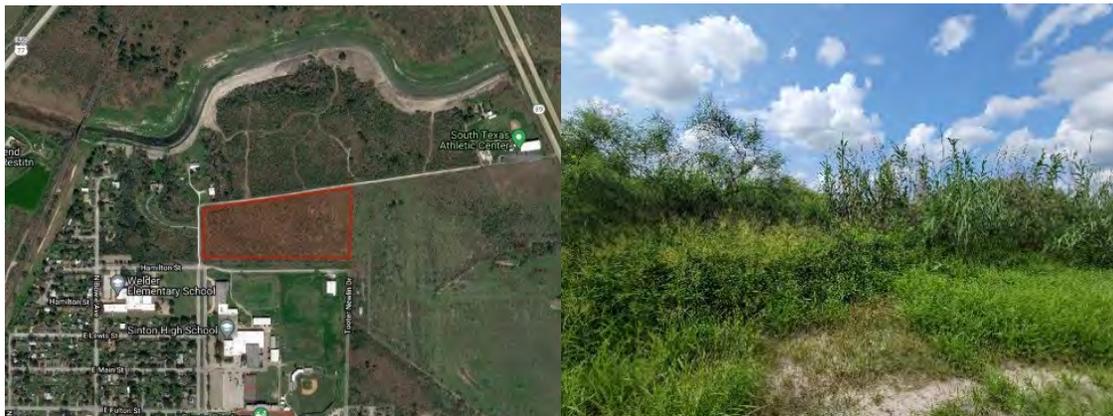
Site

| | | | |
|----------------------|------------------------|------------------------|-----------------------------|
| Acres | 5.51 | Topography | Level |
| Land SF | 240,190 | Zoning | GR |
| Road Frontage | IH-2 and Dilworth Road | Zoning District | General Retail District |
| Shape | Rectangular | Flood Zone | FEMA 48061C0250F; Zone X |
| Utilities | Public Available | Encumbrance Or | None |
| Landscaping | Low cut grass | Rail | None |

Comments

The site features 5.514 acres located along the northwest corner of IH-2 and Dilworth Road, west of downtown Harlingen. The site is zoned GR General Retail District and is located in proximity to similar undeveloped land (no vertical development) and mixed-use commercial development along IH-2. Residential development is located along the northern side of the site and north of the site.

Multifamily Land Comparable 1



| Transaction | | | |
|--------------------------|--|-----------------------------------|-----------------------------------|
| ID | 7109 | Date | 12/1/2021 |
| Property Name | Sinton Multifamily Development Tract | Price | \$2,286,900 |
| Property Type | Multi-Family | Price per Acre | \$126,698 |
| Address | NE of N. Pirate Blvd. and Hamilton St. | Price per Land SF | \$2.91 |
| City | Sinton | Financing | Cash to Seller |
| State | Texas | Property Rights | Fee Simple |
| MSA | -- | Days on Market | N/A |
| Tax ID | 63543 (Parent) | Conditions of Sale | Arm's Length |
| Grantor | Somerset Land Company, LLC | Book/Page or Reference Doc | Sale Contract |
| Grantee | Blue Water Resource Management, LLC | Verification | Developer/Sale Contract |
| Legal Description | 18.05 acres situated in the John Henderson Survey, Abstract Number 156, and the Archibald Herron Survey, Abstract Number 166, City of Sinton, San Patricio County, Texas | | |
| Site | | | |
| Acres | 18.05 | Topography | Generally level |
| Land SF | 786,258 | Zoning | R-2 |
| Road Frontage | North Pirate Boulevard Terminus | Zoning District | Residential Multi-Family District |
| Shape | Irregular | Flood Zone | FEMA 48409C0275E; Zone AE, Zone X |
| Utilities | Public Available Nearby | Encumbrance Or Easement | Flood Zone Encumbrance |
| Landscaping | Scattered to dense brush and tree cover | Rail | None |

Comments

The site features 18.05 acres (via sale contract) and is located northeast of North Pirate Boulevard and Hamilton Street, along the northeastern side of the terminus of North Pirate Boulevard. The site is proposed to be developed for multifamily residential use and is expected to close December 1, 2021 per the site developer.

Multifamily Land Comparable 2



| Transaction | | | |
|---|---|-----------------------------------|-----------------------------------|
| ID | 7107 | Date | 12/1/2021 |
| Property Name | Sinton Multifamily Development Land | Price | \$1,630,695 |
| Property Type | Multi-Family | Price per Acre | \$163,350 |
| Address | Terminus of Tooter Newlin Drive | Price per Land SF | \$3.75 |
| City | Sinton | Financing | Cash to Seller |
| State | Texas | Property Rights | Fee Simple |
| MSA | Corpus Christi | Days on Market | N/A |
| Tax ID | 63706 (Parent) | Conditions of Sale | Arm's Length |
| Grantor | Somerset Land Company, LLC | Book/Page or Reference Doc | Sale Contract |
| Grantee | Torno Properties, LLC | Verification | Developer/Sale Contract |
| Legal Description | 9.98 acres situated in the John Henderson Survey, Abstract Number 156, and the Archibald Herron Survey, Abstract Number 166, City of Sinton, San Patricio County, Texas | | |
| Site | | | |
| Acres | 9.98 | Topography | Generally level |
| Land SF | 434,852 | Zoning | R-2 |
| Road Frontage | Tooter Newlin Drive | Zoning District | Residential Multi-Family District |
| Shape | Irregular | Flood Zone | FEMA 48409C0275E; Zone X |
| Utilities | Public Available Nearby | Encumbrance Or Easement | None |
| Landscaping | Scattered to dense | Rail | None |
| Comments | | | |
| The site features 9.98 acres, located along the northeast side of the terminus of Tooter Newlin Drive. The site is proposed to be developed for multifamily use. Public utilities are available within adjoining properties; however, are not connected onsite. The contract is expected to close by December 1, 2021, as indicated by the parent tract developer. The purchase price is determined by the site survey size at a price of \$3.75 per square foot. | | | |

Multifamily Land Comparable 3



Transaction

| | | | |
|--------------------------|---|-----------------------------------|----------------|
| ID | 3925 | Date | 5/13/2019 |
| Property Name | Land - FM 2165 | Price | \$1,000,000 |
| Property Type | Commercial | Price per Acre | \$35,515 |
| Address | 2400 FM 2165 | Price per Land SF | \$0.82 |
| City | Rockport | Financing | Cash to Seller |
| State | Texas | Property Rights | Fee Simple |
| MSA | Corpus Christi | Days on Market | NA |
| Tax ID | 8820351, 8820352 | Conditions of Sale | Arm's Length |
| Grantor | RCC Group, LLC | Book/Page or Reference Doc | 367869 |
| Grantee | Rockport Harvey Housing, LLC | Verification | Broker |
| Legal Description | Lots 1 & 2, Block 1, RCC/Chance J1 Subdivision, Rockport, Aransas County, Texas | | |

Site

| | | | |
|----------------------|------------------|--------------------------------|-----------------------------|
| Acres | 28.16 | Topography | Generally Level |
| Land SF | 1,226,519 | Zoning | R-6 |
| Road Frontage | FM 2165 | Zoning District | Hotel/Motel District |
| Shape | Irregular | Flood Zone | FEMA 48007C0240G; Zone X |
| Utilities | Public Available | Encumbrance Or Easement | None |
| Landscaping | General Brush | Rail | None |

Comments

None

Multifamily Land Comparable 4



Transaction

| | | | |
|--------------------------|---|-----------------------------------|----------------|
| ID | 6690 | Date | 1/31/2019 |
| Property Name | Mission Texas Vacant Land Sale | Price | \$675,000 |
| Property Type | Agricultural-Undeveloped | Price per Acre | \$127,599 |
| Address | 1007 Lucksinger Road | Price per Land SF | \$2.93 |
| City | Mission | Financing | Cash to Seller |
| State | Texas | Property Rights | Fee Simple |
| MSA | McAllen-Edinburg-Mission | Days on Market | NA |
| Tax ID | 283477 | Conditions of Sale | Arm's Length |
| Grantor | Casa Bonita Enterprises, LLC | Book/Page or Reference Doc | 2984615 |
| Grantee | MV Development Group 1, LP | Verification | Broker |
| Legal Description | All of Lots 89 and 92, Sharyland Orchards Subdivision, City of Mission, Hidalgo County, Texas | | |

Site

| | | | |
|----------------------|-----------------------------------|--------------------------------|----------------------------------|
| Acres | 5.29 | Topography | Level |
| Land SF | 230,432 | Zoning | C-3L |
| Road Frontage | Lucksinger Road, E US Business 83 | Zoning District | Light Commercial District |
| Shape | Rectangular | Flood Zone | FEMA 4803450005C; Zone X |
| Utilities | Public | Encumbrance Or Easement | Railroad along southern boundary |
| Landscaping | Low grass, trees | Rail | None |

Comments

The site features 5.29 acres and is situated along the northwest corner of East US Highway 83 and Lucksinger Road. A railroad runs parallel to E US Bus. 83, preventing access to the site from the southern frontage/border.

Multifamily Land Comparable 5



| Transaction | | | |
|--------------------------|--|-----------------------------------|--------------------------|
| ID | 4478 | Date | 9/25/2019 |
| Property Name | 3.163 Acres Northwest of Buddy Ganem Drive and FM 2986 | Price | \$390,000 |
| Property Type | Agricultural-Undeveloped | Price per Acre | \$123,301 |
| Address | Northwest of Buddy Ganem Drive and FM 2986 | Price per Land SF | \$2.83 |
| City | Portland | Financing | Cash to Seller |
| State | Texas | Property Rights | Fee Simple |
| MSA | Corpus Christi | Days on Market | 536 |
| Tax ID | 116108 | Conditions of Sale | Arm's Length |
| Grantor | Byrne Construction Company, Inc. | Book/Page or Reference Doc | 692378 |
| Grantee | Coastal Community and Teachers Credit Union | Verification | Broker |
| Legal Description | 3.163 Acres out of Lot 2, Byrne Subdivision, Miguel Arciniega Survey, Abstract Number 35, San Patricio County, Texas | | |
| Site | | | |
| Acres | 3.16 | Topography | Level |
| Land SF | 137,780 | Zoning | R-2 |
| Road Frontage | 175' along the northwest side of FM 2986 | Zoning District | -- |
| Shape | Near Rectangular | Flood Zone | FEMA 48409C0440E; Zone X |
| Utilities | Public | Encumbrance Or Easement | None |
| Landscaping | low-cut grass | Rail | None |

Comments
 The property features approximately 175 feet of frontage along the northwest side of FM 2986 with public utilities available. The property is located outside of Portland City Limits; however, the Portland Zoning Map shows the property within the R-2 zoning jurisdiction.

Multifamily Land Comparable 6



| Transaction | | | |
|--|---|--------------------------------|--|
| ID | 4479 | Date | 9/5/2019 |
| Property Name | 8.689 Acres North of Buddy Ganem Drive and Oak Brook Drive | Price | \$898,000 |
| Property Type | Agricultural-Undeveloped | Price per Acre | \$103,349 |
| Address | North of Buddy Ganem | Price per Land SF | \$2.37 |
| City | Portland | Financing | Cash to Seller |
| State | Texas | Property Rights | Fee Simple |
| MSA | Corpus Christi | Days on Market | 1087 |
| Tax ID | 56841 | Conditions of Sale | Arm's Length |
| Grantor | Gerald Guillot | Book/Page or Reference | 691877 |
| Grantee | David Jolley DMD, MS, PLLC | Verification | Broker |
| Legal Description | 8.689 Acres being all of Tract 1 and 2, Section P, George H. Paul Subdivision of the Coleman Fulton Pasture Company, San Patricio County, Texas | | |
| Site | | | |
| Acres | 8.69 | Topography | Level |
| Land SF | 378,493 | Zoning | P - Professional Office |
| Road Frontage | 522' N/S Buddy Ganem | Zoning District | Professional Office |
| Shape | Rectangular | Flood Zone | FEMA 48409C0440E; Zone X |
| Utilities | Public | Encumbrance Or Easement | Shallow drainage ditch located along the north side of Buddy Ganem Drive |
| Landscaping | Low-cut grass/cultivated land | Rail | None |
| Comments | | | |
| The property sold for \$900,000, for future development as an orthodontist office. The property was on the market for 1,087 days, and was originally listed for sale at \$1,200,000. The property is level in topography with a sloping drainage ditch along the southern border of the property, along the north side of Buddy Ganem Drive. | | | |

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

APPENDIX G

FORM OF REIMBURSEMENT AGREEMENT

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

**SOMERSET PUBLIC IMPROVEMENT DISTRICT NO. 1
REIMBURSEMENT AGREEMENT
(ASSESSMENT REVENUES)**

This Somerset Public Improvement District No. 1 Reimbursement Agreement (this *Reimbursement Agreement*) is executed between the City of Sinton, Texas (the *City*) and Somerset Land Company, LLC, a Texas limited liability company (the *Developer*; the City and the Developer individually referred to as a *Party* and collectively as the *Parties*) effective January 1, 2022. Unless specified otherwise, capitalized terms not defined herein shall have the meaning ascribed to them in the hereinafter-defined Service and Assessment Plan or the Development Agreement.

RECITALS

WHEREAS, by action on May 18, 2021, the City Council of the City (the *Council*) created and established the boundaries of Somerset Public Improvement District No. 1 (the *District*), covering approximately 177.36 acres of land described in Resolution No. 20210518 (the *District Property*) to be developed by the Developer in phases as a mixed use, master-planned residential and commercial development; and

WHEREAS, the purpose of the District is to finance certain Authorized Improvements authorized by Chapter 372, Texas Local Government Code (as amended, the *PID Act*) that promote the interests of the City and confer a special benefit on the Assessed Property within the District; and

WHEREAS, in connection with its creation of the District, the City determined that it is in the best interests of the present and future landowners of, and is of special benefit to, the District Property to finance, construct and deliver certain Authorized Improvements, as more specifically described in the Somerset Public Improvement District No. 1 Service and Assessment Plan, adopted by the Council on January 18, 2022 (as such plan may be updated and amended from time to time, the *Service and Assessment Plan*); and

WHEREAS, the Service and Assessment Plan describes the development of the District Property and related construction and acquisition of Authorized Improvements; and

WHEREAS, the City and the Developer have heretofore entered into that certain “Amended and Restated Development Agreement”, dated as of January 18, 2022, and contemporaneously herewith, the Council approved the City’s entering into that certain “Somerset Public Improvement District No. 1 Financing Agreement” with the Developer (as amended from time to time, the *Financing Agreement*), which agreements, together, provide certain terms and provisions concerning the Developer’s development of the Authorized Improvements and payment of the costs thereof; and

WHEREAS, in the Development Agreement and the Financing Agreement, the City and the Developer identify multiple sources of funds, including proceeds of the City of Sinton, Texas Special Assessment Revenue Bonds, Series 2022 (Somerset Public Improvement District No. 1) (the *PID Bonds*) to be issued pursuant to that certain Indenture of Trust, dated of even date herewith (the *Indenture*), by and between the City and UMB Bank, N.A. (the *Bond Trustee*), and the Developer’s separate resources available and thereby committed pursuant to the terms of the “Completion Agreement” entered into contemporaneously herewith by and among the Developer, the City, and Bond Trustee; and

WHEREAS, the Developer’s financial commitment thereunder to pay the Actual Costs of Authorized Improvements (plus interest thereon accruing at a rate of ____% (calculated on the basis of a 360-day year, comprised of twelve 30-day months) from the date an applicable invoice is paid by the Developer) shall be reimbursable thereto pursuant to the terms of this Reimbursement Agreement and the

Service and Assessment Plan (such commitment to reimburse in the amount calculated in accordance with the foregoing, the *Reimbursement Obligation*); and

WHEREAS, contemporaneously herewith, the Council adopted an assessment ordinance (the *Assessment Ordinance*) determining the estimated costs of the Authorized Improvements and levying special assessments against the assessable property within District to generate revenues (such special assessments, the *Assessments*; revenues therefrom, the *Assessment Revenues*) to pay Actual Costs of the Authorized Improvements (or repay obligations incurred in satisfaction thereof, including the PID Bonds, additional bonds that may hereafter be issued to pay Actual Costs of Authorized Improvements or to satisfy all or part of the Reimbursement Obligation (the *Additional Bonds*) and the Reimbursement Obligation); and

WHEREAS, under the Indenture, the City has covenanted to deliver to the Trustee upon receipt, and has pledged as security for the repayment of the PID Bonds, the Assessment Revenues (though it is the intent and expectation of the Parties that a portion of the pledged Assessment Revenues, on a subordinate basis and subject to availability after payment of debt service and other financial obligations relative to the PID Bonds and any Additional Bonds, will be used to repay the Developer for the Reimbursement Obligation, as herein described); and

WHEREAS, the Parties now desire to enter into this Reimbursement Agreement for the purpose of establishing terms and conditions relating to the City's repayment of the Reimbursement Obligation; and

NOW THEREFORE, FOR VALUABLE CONSIDERATION THE RECEIPT AND ADEQUACY OF WHICH ARE ACKNOWLEDGED, THE PARTIES AGREE AS FOLLOWS:

1. Recitals. The recitals to this Reimbursement Agreement are true and correct and are incorporated as part of this Reimbursement Agreement for all purposes.
2. City Deposit of Revenue. The City shall cause the Assessment Revenues to be deposited as provided in the Indenture.
3. Payment of Authorized Improvement Costs. The City shall cause payment of the Actual Costs of Authorized Improvements, pursuant to executed and approved Certifications for Payment in and from the Available Sources of Payment (as defined in Section 2.02(a) of the Financing Agreement), all in accordance with the Financing Agreement and, as applicable, the Development Agreement.
4. Reimbursement Obligation. Subject to and in accordance with the terms, conditions, and requirements contained herein, the City agrees to reimburse Developer, and Developer shall be entitled to receive from the City, the Reimbursement Obligation. The effectiveness of the City's agreement to reimburse commences on the date of initial delivery of the PID Bonds and continues until the earlier of (i) the Reimbursement Obligation is fully satisfied and (ii) September 1, 2051 (the *Maturity Date*).

The City's payment of the Reimbursement Obligation from available Assessment Revenues is authorized by the PID Act, and was approved by the City pursuant to the Council's adoption of the Assessment Ordinance. The Reimbursement Obligation shall be payable to Developer from (i) amounts from time to time on deposit in the Reimbursement Fund, on a cash-flow basis and pursuant to the payment terms specified in the Indenture, and (ii) the proceeds of any Additional Bonds. The Parties acknowledge and agree that the City is not responsible for any portion of the Reimbursement Obligation that remains unsatisfied beyond the latest possible Maturity Date.

The Reimbursement Obligation is payable to Developer solely as described herein. Except as otherwise agreed to by the City in writing, no other City funds, revenue, taxes, income, or property shall be used, even if the Reimbursement Obligation is not paid in full by the latest possible Maturity Date. The Reimbursement Obligation is not a City debt within the meaning of Article XI, Section 5, of the Constitution of the State of Texas. Notwithstanding the foregoing, the City acknowledges and agrees that until the Reimbursement Obligation is paid in full, the obligation of the City to cause the use of amounts on deposit in the Reimbursement Fund to pay the Reimbursement Obligation, or the use of proceeds of any Additional Bonds issued (in whole or in part) to satisfy any portion of the Reimbursement Obligation, is absolute and unconditional. The City does not have, and will not assert, any defenses to such obligation.

5. City Collection Efforts. The City will use all reasonable efforts to receive and collect, or cause to be received and collected by the San Patricio County Tax Assessor/Collector, Assessments (including the foreclosure of liens resulting from the nonpayment of Assessments), and other charges due and owing under the Service and Assessment Plan, in the manner described and required in Section 2.03 of the Financing Agreement.

6. Process for Payment for the Reimbursement Obligation. Upon depletion of the funds on deposit in the Project Fund, the Developer may submit to the City a *Certification for Payment* requesting payment from funds at such time available in the Reimbursement Fund following February 1st of each year. Upon receipt of the Certification for Payment, and its determination of the accuracy, adequacy, and sufficiency thereof, the City shall cause funds within the Reimbursement Fund to be disbursed to Developer within 30 days of such determination (subject and pursuant, however, to (as applicable) the Indenture, or any indenture of trust pursuant to which a series of Additional Bonds has been issued and then-remains outstanding, concerning disbursement funds on deposit in the Reimbursement Fund). This process will continue until the Maturity Date. Under no circumstances will payments made under this Reimbursement Agreement, whether by periodic reimbursement from amounts from time to time held in the Reimbursement Fund, from the proceeds of any series of Additional Bonds, pursuant to an agreement by the City to reimburse from another source of funds, or a combination of each of the foregoing, equal more than the Reimbursement Obligation.

7. Termination. At the Maturity Date, this Reimbursement Agreement shall terminate. If the Maturity Date occurs on September 1, 2051 and at such time any portion of the Reimbursement Obligation remains unsatisfied (the *Unsatisfied Reimbursement Obligation*), such Unsatisfied Reimbursement Obligation shall be canceled and for all purposes of this Reimbursement Agreement shall be deemed to have been conclusively and irrevocably PAID IN FULL; provided, however, that if any Assessments or ad valorem taxes for such tax year remain due and payable and are uncollected on such Maturity Date, the resultant Assessment Revenues, when, as, and if collected after such Maturity Date, (1) if any series of PID Bonds at such time remain outstanding, shall be deposited with the Trustee for disposition in the manner specified in the Indenture and (2) if no PID Bonds at such time remain outstanding, all or a portion thereof not in excess of the Unsatisfied Reimbursement Obligation shall be paid directly to Developer and applied against the Unsatisfied Reimbursement Obligation.

8. Mandatory Prepayments. Notwithstanding any provision of this Reimbursement Agreement to the contrary, the Parties hereby acknowledge and agree that to the extent a prepayment of an Assessment is required pursuant to the provisions of Section VI.C.1 of the Service and Assessment Plan in effect as of the date of this Reimbursement Agreement and remains unpaid for 90 days after such notice, the City, upon providing prior written notice to Developer, may reduce the amount of the Reimbursement Obligation by a corresponding amount; provided, however, that any such reduction shall never cause a reduction in the amount of the Reimbursement Obligation to less than zero.

9. No Waiver. Nothing in this Reimbursement Agreement is intended to constitute a waiver by the City of any remedy the City may otherwise have outside this Reimbursement Agreement against any person or entity involved in the design, construction, or installation of the Authorized Improvements.

10. Governing Law, Venue. This Reimbursement Agreement is being executed and delivered, and is intended to be performed in, the State of Texas. Except to the extent that the laws of the United States may apply to the terms hereof, the substantive laws of the State of Texas shall govern the validity, construction, enforcement, and interpretation of this Reimbursement Agreement. In the event of a dispute involving this Reimbursement Agreement, venue for such dispute shall lie in any court of competent jurisdiction in San Patricio County, Texas.

11. Notice. Any notice required or contemplated by this Reimbursement Agreement shall be deemed given at the addresses shown below: (i) one business day after deposit with a reputable overnight courier service for overnight delivery such as FedEx or UPS; or (ii) one business day after deposit with the United States Postal Service, Certified Mail, Return Receipt Requested. Any Party may change its address by delivering written notice of such change in accordance with this section.

To the City: Attn: City Manager
 City of Sinton
 301 East Market Street
 Sinton, Texas 78387

With a copy to: Attn: City Attorney
 City of Sinton
 301 East Market Street
 Sinton, Texas 78387

And to: Attn: Clay Binford
 McCall, Parkhurst & Horton L.L.P.
 112 E. Pecan Street, Suite 1310
 San Antonio, Texas 78205

To the Developer: Attn: Charles E. Cammack
 Somerset Land Company, LLC
 824 Earl Garrett St.
 Kerrville, Texas 78208

 Attn: Wiley McIlwain
 Somerset Land Company, LLC
 824 Earl Garrett St.
 Kerrville, Texas 78208

With a copy to: Attn: Daniel M. Martinez
 Winstead PC
 310 South St. Mary's Street, Suite 920
 San Antonio, Texas 78205

12. Invalid Provisions; Severability. If any provision of this Reimbursement Agreement is held invalid by any court, such holding shall not affect the validity of the remaining provisions, and the remainder of this Reimbursement Agreement shall remain in full force and effect. If any provision of this

Reimbursement Agreement directly conflicts with the terms of the Indenture, the Indenture shall control regarding such conflicting provision.

13. Exclusive Rights of Developer. Developer's right, title and interest in and to the payments of Reimbursement Obligation, as described herein, shall be the sole and exclusive property of Developer (or its Transferee (defined herein)) and no other third party shall have any claim or right to such funds unless Developer transfers its rights to the Reimbursement Obligation to a Transferee in writing and otherwise in accordance with the requirements set forth herein and any applicable provisions of the Financing Agreement. Subject to the provisions of Section 10.01 of the Development Agreement, Developer has the right to convey, transfer, assign, mortgage, pledge, or otherwise encumber, in whole or in part, all or any portion of Developer's right, title, or interest under this Reimbursement Agreement including (but not limited to) any right, title or interest of Developer in and to payment of the Reimbursement Obligation (a *Transfer*; the party or entity to whom the transfer is made, a *Transferee*). Notwithstanding the foregoing, no Transfer shall be effective until written notice of the Transfer, that includes the following, is provided to the City: (A) the name and address of the Transferee and (B) a representation by Developer that the Transfer does not and will not result in the issuance of municipal securities by any other state of the United States or political subdivision thereof. Developer agrees that the City may rely conclusively on any written notice of a Transfer provided by Developer without any obligation to investigate or confirm the accuracy or sufficiency of the notice of the Transfer. Any sale of a portion of the Property or assignment of any right hereunder shall not be deemed a Transfer unless the conveyance or transfer instrument effecting such sale or assignment expressly states that the sale or assignment is deemed to be a Transfer.

14. Failure; Default; Remedies.

a. If either Party fails to perform an obligation imposed on such Party by this Reimbursement Agreement (a *Failure*) and such Failure is not cured after written notice and the expiration of the cure periods provided in this section, then such Failure shall constitute a *Default*. Upon the occurrence of a Failure by a non-performing Party, the other Party shall notify the non-performing Party in writing specifying in reasonable detail the nature of the Failure. The non-performing Party to whom notice of a Failure is given shall have at least 30 days from receipt of the notice within which to cure the Failure; however, if the Failure cannot reasonably be cured within 30 days and the non-performing Party has diligently pursued a cure within such 30-day period and has provided written notice to the other Party that additional time is needed, then the cure period shall be extended for an additional period (not to exceed 90 days) so long as the non-performing Party is diligently pursuing a cure.

b. If Developer is in Default, the City's sole and exclusive remedy shall be to seek specific performance of Developer's obligations under this Reimbursement Agreement. No Default by Developer, however, shall: (i) affect the obligations of the City to reimburse Developer from amounts from time to time on deposit in the Reimbursement Fund as provided in Section 6 of this Reimbursement Agreement; or (ii) entitle the City to terminate this Reimbursement Agreement. In addition to specific performance, the City shall be entitled to attorney's fees, court costs, and other costs incurred by the City in obtaining such remedy.

c. If the City is in Default, Developer's sole and exclusive remedies shall be to: (i) seek a writ of mandamus to compel the City's performance hereunder; or (ii) seek specific performance of the City's obligation hereunder.

15. No Personal Liability. None of the City, any of its elected or appointed officials, or any of its employees shall incur any liability hereunder to Developer or any other party in their individual

capacities by reason of this Reimbursement Agreement or their acts or omission under this Reimbursement Agreement.

16. Estoppel Certificate. Within 30 days after the receipt of a written request by Developer or any Transferee, the City will certify in a written instrument duly executed and acknowledged to any person, firm or corporation specified in such request as to (i) the validity and force and effect of this Reimbursement Agreement in accordance with its terms, (ii) modifications or amendments to this Reimbursement Agreement and the substance of such modification or amendments; (iii) the existence, to the best of the City's knowledge, of any Default hereunder; and (iv) such other factual matters that may be reasonably requested (which may, at the City's discretion, be qualified with necessary and appropriate knowledge qualifications).

17. Anti-Boycott Verification, No business with Sanctioned Countries. To the extent this Reimbursement Agreement constitutes a contract for goods or services for which a written verification is required under Section 2271.002, Texas Government Code, the Developer hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and will not boycott Israel during the term of this Reimbursement Agreement. The foregoing verification is made solely to enable the City to comply with such Section and to the extent such Section does not contravene applicable Federal law or the Texas Constitution. As used in the foregoing verification, 'boycott Israel,' a term defined in Section 2271.001, Texas Government Code, by reference to Section 808.001(1), Texas Government Code, means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. The Developer understands "affiliate" to mean an entity that controls, is controlled by, or is under common control with the Developer and exists to make a profit.

The Developer represents that neither it nor any of its respective parent companies, wholly- or majority-owned subsidiaries, and other affiliates, if any, is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer's internet website:

<https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf>,
<https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or
<https://comptroller.texas.gov/purchasing/docs/fto-list.pdf>.

The foregoing representation is made solely to enable the City to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal law and or the Texas Constitution excludes the Developer and any of its respective parent companies, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. The Developer understands "affiliate" to mean any entity that controls, is controlled by, or is under common control with the Developer and exists to make a profit.

18. Verification Regarding Energy Company Boycotts.

To the extent this Reimbursement Agreement constitutes a contract for goods or services for which a written verification statement is required under Section 2274.002 (as added by Senate Bill 13 in the 87th Texas Legislative Session), Texas Government Code, as amended, the Developer hereby verifies that it and its parent company, wholly- or majority- owned subsidiaries, and other affiliates, if any, do not boycott energy companies and, will not boycott energy companies during the term of this Reimbursement

Agreement. The foregoing verification is made solely to enable the City to comply with such Section and to the extent such Section does not contravene applicable federal law or the Texas Constitution. As used in the foregoing verification, “boycott energy companies,” a term defined in Section 2274.001(1), Texas Government Code (as enacted by such Senate Bill) by reference to Section 809.001, Texas Government Code (also as enacted by such Senate Bill), shall mean, without an ordinary business purpose, refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations with a company because the company (A) engages in the exploration, production, utilization, transportation, sale, or manufacturing of fossil fuel-based energy and does not commit or pledge to meet environmental standards beyond applicable federal and state law; or (B) does business with a company described by (A) above. The Developer understands “affiliate” to mean an entity that controls, is controlled by, or is under common control with the Developer and exists to make a profit.

19. Verification Regarding Discrimination Against Firearm Entity or Trade Association.

To the extent this Reimbursement Agreement constitutes a contract for goods or services for which a written verification statement is required under Section 2274.002 (as added by Senate Bill 19 in the 87th Texas Legislature, Regular Session), Texas Government Code, as amended, the Developer hereby verifies that it and its parent company, wholly- or majority- owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not discriminate against a firearm entity or firearm trade association during the term of this Reimbursement Agreement. The foregoing verification is made solely to enable the City to comply with such Section and to the extent such Section does not contravene applicable Federal law or the Texas Constitution.

As used in the foregoing verification and the following definitions,

(a) “discriminate against a firearm entity or firearm trade association,” a term defined in Section 2274.001(3), Texas Government Code (as enacted by such Senate Bill), (A) means, with respect to the firearm entity or firearm trade association, to (i) refuse to engage in the trade of any goods or services with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association, (ii) refrain from continuing an existing business relationship with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association, or (iii) terminate an existing business relationship with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association and (B) does not include (i) the established policies of a merchant, retail seller, or platform that restrict or prohibit the listing or selling of ammunition, firearms, or firearm accessories and (ii) a company’s refusal to engage in the trade of any goods or services, decision to refrain from continuing an existing business relationship, or decision to terminate an existing business relationship (aa) to comply with federal, state, or local law, policy, or regulations or a directive by a regulatory agency or (bb) for any traditional business reason that is specific to the customer or potential customer and not based solely on an entity’s or association’s status as a firearm entity or firearm trade association,

(b) “firearm entity,” a term defined in Section 2274.001(6), Texas Government Code (as enacted by such Senate Bill), means a manufacturer, distributor, wholesaler, supplier, or retailer of firearms (defined in Section 2274.001(4), Texas Government Code, as enacted by such Senate Bill, as weapons that expel projectiles by the action of explosive or expanding gases), firearm accessories (defined in Section 2274.001(5), Texas Government Code, as enacted by such Senate Bill, as devices specifically designed or adapted to enable an individual to wear, carry, store, or mount a firearm on the individual or on a conveyance and items used in conjunction with or mounted on a firearm that are not essential to the basic function of the firearm, including detachable firearm magazines), or ammunition (defined in Section

2274.001(1), Texas Government Code, as enacted by such Senate Bill, as a loaded cartridge case, primer, bullet, or propellant powder with or without a projectile) or a sport shooting range (defined in Section 250.001, Texas Local Government Code, as a business establishment, private club, or association that operates an area for the discharge or other use of firearms for silhouette, skeet, trap, black powder, target, self-defense, or similar recreational shooting), and

(c) “firearm trade association,” a term defined in Section 2274.001(7), Texas Government Code (as enacted by such Senate Bill), means any person, corporation, unincorporated association, federation, business league, or business organization that (i) is not organized or operated for profit (and none of the net earnings of which inures to the benefit of any private shareholder or individual), (ii) has two or more firearm entities as members, and (iii) is exempt from federal income taxation under Section 501(a), Internal Revenue Code of 1986, as an organization described by Section 501(c) of that code.

The Developer understands “affiliate” to mean an entity that controls, is controlled by, or is under common control with the Developer and exists to make a profit.

20. Form 1295. Submitted herewith is a completed Form 1295 in connection with Developer’s participation in the execution of this Reimbursement Agreement generated by the Texas Ethics Commission’s (the *TEC*) electronic filing application in accordance with the provisions of Section 2252.908 of the Texas Government Code and the rules promulgated by the TEC (the *Form 1295*). Developer and the City understand and agree that, with the exception of information identifying the City and the contract identification number, none of the City or its officials, employees, or consultants are responsible for the information contained in the Form 1295; that the information contained in the Form 1295 has been provided solely by Developer; and none of the City or its officials, employees, or consultants have verified such information.

21. Miscellaneous.

a. The failure by a Party to insist upon the strict performance of any provision of this Reimbursement Agreement by the other Party, or the failure by a Party to exercise its rights upon a Default by the other Party shall not constitute a waiver of such Party’s right to insist and demand strict compliance by such other Party with the provisions of this Reimbursement Agreement.

b. The City does not waive or surrender any of its governmental powers, immunities, or rights except to the extent permitted by law and as necessary to allow Developer to enforce its remedies under this Reimbursement Agreement.

c. Nothing in this Reimbursement Agreement, expressed or implied, is intended to or shall be construed to confer upon or to give to any person or entity other than the City and Developer any rights, remedies, or claims under or by reason of this Reimbursement Agreement, and all covenants, conditions, promises, and agreements in this Reimbursement Agreement shall be for the sole and exclusive benefit of the City and Developer.

d. This Reimbursement Agreement may be amended only by written agreement of the Parties.

e. This Reimbursement Agreement may be executed in counterparts, each of which shall be deemed an original.

* * *

THE CITY OF SINTON, TEXAS
a Texas political subdivision

By: _____

Name: _____

Title: _____

SOMERSET LAND COMPANY, LLC
a Texas limited liability company

By: _____

Name: _____

Title: _____

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

APPENDIX H

FORM OF FINANCING AGREEMENT

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

SOMERSET PUBLIC IMPROVEMENT DISTRICT NO. 1
FINANCING AGREEMENT

AMONG

SOMERSET LAND COMPANY, LLC

AND

THE CITY OF SINTON, TEXAS

TABLE OF CONTENTS

ARTICLE I. SCOPE OF AGREEMENT 2

ARTICLE II. APPORTIONMENT, LEVY, COLLECTION, AND USE OF ASSESSMENTS .. 2

 Section 2.01. Preliminary Matters 2

 Section 2.02. Payment for Authorized Improvements 3

 Section 2.03. Collection of Special Assessments 5

 Section 2.04. Approval and Recordation of Special Assessments through Landowner Agreement 5

 Section 2.05. Actual Costs 6

ARTICLE III. CONSTRUCTION AND ACQUISITION OF AUTHORIZED IMPROVEMENTS 6

 Section 3.01. Acquisition, Construction, and Dedication of Authorized Improvements 6

 Section 3.02. Designation of Construction Manager, Construction Engineers 7

 Section 3.03. Maintenance of Authorized Improvements, Warranties 8

 Section 3.04. Regulatory Requirements 8

 Section 3.05. Additional Requirements for Authorized Improvements Funded with Special Assessment Revenues 8

ARTICLE IV. PAYMENT FOR AUTHORIZED IMPROVEMENTS 9

 Section 4.01. Limited Sources of Payment 9

 Section 4.02. Co-Developers 10

 Section 4.03. Payments for Authorized Improvements 10

 Section 4.04. Reimbursement of Developer Expended Funds 11

ARTICLE V. PID BONDS AND REIMBURSEMENT AGREEMENT 12

 Section 5.01. PID Bonds and Reimbursement Agreement; Initial PID Bonds 12

 Section 5.02. Issuance of Additional Bonds 12

 Section 5.03. Characteristics of All PID Bonds 13

 Section 5.04. PID Bonds Proceeds; Project Fund; Excess Funds 14

 Section 5.05. Bank Qualified Debt 14

 Section 5.06. Reimbursement Fund for Reimbursing Reimbursable Actual Costs under Reimbursement Agreement 16

ARTICLE VI. REPRESENTATIONS AND WARRANTIES 17

 Section 6.01. Representations and Warranties of City. 17

 Section 6.02. Representations, Warranties, and Covenants of Developer 17

 Section 6.03. No Boycott of Israel; No Business with Sanctioned Countries 18

 Section 6.04. Verification Regarding Energy Company Boycotts. 18

Section 6.05. Verification Regarding Discrimination Against Firearm Entity or Trade Association..... 19

Section 6.06. Form 1295..... 20

ARTICLE VII. DEFAULT AND REMEDIES 20

ARTICLE VIII. GENERAL PROVISIONS..... 21

Section 8.01. Notices. 21

Section 8.02. Fee Arrangement..... 21

Section 8.03. Assignment 22

Section 8.04. No Personal Liability 23

Section 8.05. Term of Agreement..... 23

Section 8.06. Construction of Certain Terms..... 23

Section 8.07. Table of Contents; Titles and Headings..... 24

Section 8.08. Amendments. 24

Section 8.09. Time 24

Section 8.10. Counterparts 24

Section 8.11. Entire Agreement 24

Section 8.12. Severability; Waiver 24

Section 8.13. Developer as Independent Contractor..... 24

Section 8.14. Supplemental Agreements 25

Section 8.15. Exhibits 25

SOMERSET PUBLIC IMPROVEMENT DISTRICT NO. 1
FINANCING AGREEMENT

This Somerset Public Improvement District No. 1 Financing Agreement (this “**Agreement**”), dated as of January 1, 2022, (the “**Effective Date**”), is entered into by and among Somerset Land Company, LLC, a Texas limited liability company (including its Designated Successors and Assigns, the “**Developer**”), and the City of Sinton, Texas (the “**City**”), a political subdivision of the State of Texas acting by and through its City Council (the “**City Council**”). The Developer and the City are individually herein referred to as a “**Party**” and, together, as the “**Parties**”. Capitalized terms used herein without definition shall have the respective meanings ascribed thereto in Exhibit “A” attached hereto and made a part hereof.

Recitals:

WHEREAS, the Developer owns approximately 177.36 acres of land more particularly described on Exhibit “B” attached hereto and made a part hereof (the “**Property**”), which it intends to develop as a high-quality, mixed use development, consisting of single family, multi-family and office space, retail, commercial and other compatible uses (the “**Project**”);

WHEREAS, in reliance upon and subject to the Developer’s Project development commitments being appropriately memorialized, the City Council authorized the formation of the Somerset Public Improvement District No. 1 (the “**District**”) by adoption of Resolution No. 20210518 on May 18, 2021, for the purpose of imposing Special Assessments upon Assessed Property to finance Actual Costs of Authorized Improvements located within or beyond District boundaries essential to Project development, all in accordance with the PID Act;

WHEREAS, the City and the Developer have entered into the Development Agreement, and the Completion Agreement, each of which agreements, in addition to this Agreement and the Maintenance Agreement, govern various aspects of District and Project development and maintenance and memorialize (among other items) the Developer’s Project development commitments upon which the City relied when creating the District;

WHEREAS, on the date hereof, the City Council has adopted (i) the City Resolution, (ii) the Assessment and SAP Ordinance; and (iii) the Initial PID Bonds and Reimbursement Agreement Ordinance;

WHEREAS, the Parties intend that the Actual Costs of Authorized Improvements will be satisfied from the sources and in the amounts identified in the Service and Assessment Plan, certain of which Actual Costs initially paid by the Developer pursuant to the Completion Agreement are reimbursable thereto pursuant to Reimbursement Agreement;

WHEREAS, the City has determined that it is in the best interests of it and its residents to contract with the Developer for the acquisition, construction, and financing of the Actual Costs of the Authorized Improvements, which the City hereby finds and determines will result in the efficient and effective implementation of the Service and Assessment Plan; and

NOW, THEREFORE, for and in consideration of the mutual agreements, covenants, and conditions contained herein, and other good and valuable consideration, the Parties hereby agree as follows:

ARTICLE I. SCOPE OF AGREEMENT

This Agreement establishes provisions for the apportionment, levying, and collection of Special Assessments on the Assessed Property (Article II); the construction and acquisition of Authorized Improvements (Article III); advancement and/or reimbursement of construction or acquisition funds for, and provision for acquisition, construction, ownership and maintenance of, Authorized Improvements (Article IV); and the issuance of PID Bonds for the financing of certain Actual Costs of Authorized Improvements (Article V). This Agreement also provides for Party representations and warranties (Article VI), Party default and remedies in the event of default (Article VII), and general contract provisions (Article VIII).

ARTICLE II. APPORTIONMENT, LEVY, COLLECTION, AND USE OF ASSESSMENTS

Section 2.01. Preliminary Matters

(a) *District Formation; Boundaries.* On May 18, 2021, the City formed the District by adoption of Resolution No. 20210518. The District's boundaries are coterminous with the boundaries of the Property.

(b) *Service and Assessment Plan.* The Developer acknowledges and agrees that the Service and Assessment Plan, which (among other things) describes Project development, timing and amount of Special Assessments, the Reimbursement Agreement, schedules for issuance of PID Bonds, and methodology for payment of the costs of acquiring, constructing, installing and (as applicable) maintaining Authorized Improvements, must meet the requirements of Sections 372.013-.014, as amended, Texas Local Government Code, and be presented to the City Council for review and approval prior to issuance of any series of PID Bonds. The Service and Assessment Plan, which initially encompasses the Initial PID Bonds, the Reimbursement Agreement, and the City's adoption of the Assessment and SAP Ordinance, will, as required by the Act, be updated and amended by the PID Administrator at least once per year and submitted to the City Council for review and approval. The Service and Assessment Plan will need to be amended over time if and when Additional Bonds, if any, are issued. Nevertheless, the basic terms and methodology described in the Service and Assessment Plan initially presented to City Council and thereby adopted will apply to any Additional Bonds.

(c) *Special Assessments*

(i) Special Assessments will be levied and imposed on Assessed Property, and adjustments to such Special Assessments (as and if necessary) will be made, in accordance with the terms of this Agreement, the Service and Assessment Plan, and the PID Act, respectively. Special Assessments will bear a direct proportional relationship to, and be less than or equal to the special benefit of, the Authorized Improvements whose Actual Costs are paid from the Special Assessment Revenues.

(ii) The Parties anticipate that, pursuant to the Assessment and SAP Ordinance, Special Assessments will be assessed on the Assessed Property within the District for the payment of Actual Costs of Authorized Improvements. The Special Assessments on Assessed Property within the District that are imposed pursuant to the Assessment and SAP Ordinance will be pledged, first, as security for and are the sole source of payment of any series of PID Bonds and, second, securing the payment obligations under the Reimbursement Agreement.

(d) *Owners' Association.*

(i) The Developer will create an Owners' Association for the Project, and shall establish bylaws, rules, regulations and restrictive covenants (collectively the "**Association Regulations**") to assure the Owners' Association assumes the maintenance responsibilities identified and provided for in the Development Agreement.

(ii) The Association Regulations shall establish periodic Owners' Association dues and assessments, to be charged and paid by the lot owners within the portion of the Project subject to such Owners' Association that are and will be sufficient to (1) pay the Owners' Associations' Annual Installments of the Special Assessments thereon imposed, if any, (2) perform its obligations under the Maintenance Agreement, (3) in addition, and to the extent not already covered by the provisions of the Maintenance Agreement, provide authorized services, including but not limited to maintaining public areas (e.g., parks and open space and landscaping) within the District, and (4) provide funds required for the management and operation of the Owners' Association.

(iii) The Owners' Association dues and assessments required to be established, maintained and collected by the Owners' Association pursuant to this Agreement shall be in addition to, and not in lieu of, any and all other fees, charges and assessments that will be applicable to any Assessed Property.

(iv) The Development Agreement requires that the City and the Owners' Association enter into the Maintenance Agreement. In such agreement, the Developer has agreed to be a source of funds for the Owners' Association. In the event the Owners' Association fails to perform its obligations in accordance with the terms of the Maintenance Agreement, the City may assume such obligations (either directly or by contract with a third party) and recover the resultant costs through a maintenance assessment, as described in the Service and Assessment Plan.

Section 2.02. Payment for Authorized Improvements

(a) *General.* As further described in Article IV, the Parties anticipate that the Actual Costs of Authorized Improvements shall be paid (i) from the proceeds of PID Bonds, (ii) by the Developer pursuant to the Completion Agreement, and (iii) to the extent of their availability, excess Special Assessment Revenues (sources (i) through (iii), collectively, the "**Available Sources of Payment**" and, individually, an "**Available Source of Payment**"). Certain portions of the Actual Costs of Authorized Improvements satisfied by the Developer pursuant to the Completion Agreement shall be reimbursable thereto pursuant to the Reimbursement Agreement. The Special Assessment Revenues shall be the sole source of security for and repayment of any PID Bonds or City obligations arising under the terms of the Reimbursement Agreement; provided, however, the City may use other funds (including funds from the Tax Increment Reinvestment Zone No. 1, City of Sinton (the "**TIRZ Revenues**") established upon the Property) to satisfy these obligations.

(b) *PID Bonds.*

(i) The Service and Assessment Plan contemplates the issuance of an initial series of PID Bonds (defined in Appendix A as the "**Initial PID Bonds**"). Additional Bonds may be issued in the future to (i) reimburse the Developer for amounts thereto due and owing pursuant to the Reimbursement Agreement and/or (ii) to pay for Actual Costs remaining to be financed by the Developer pursuant to the Completion Agreement (and which costs are Reimbursable Actual Costs pursuant to the Completion Agreement).

(ii) **THE PARTIES EXPRESSLY AGREE THAT EACH SERIES OF PID BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE CITY SECURED SOLELY BY THE APPLICABLE “PLEGGED REVENUES” (AS DEFINED IN THE APPLICABLE INDENTURE) AND ANY OTHER FUNDS HELD UNDER, AND TO THE EXTENT PROVIDED IN, THE APPLICABLE INDENTURE. NO SERIES OF PID BONDS SHALL GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE CITY AND ARE ONLY SECURED FROM THE SOURCES IDENTIFIED IN THE APPLICABLE INDENTURE. EACH APPLICABLE INDENTURE SHALL PROVIDE THAT THE OWNERS OF PID BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF OUT OF ANY FUNDS OF THE CITY OTHER THAN THE PLEDGED REVENUES IDENTIFIED IN, AND OTHER FUNDS HELD UNDER, THE APPLICABLE INDENTURE. THE CITY SHALL HAVE NO LEGAL OR MORAL OBLIGATION TO THE OWNERS OF THE PID BONDS TO PAY SUCH PID BONDS OUT OF ANY FUNDS OF THE CITY OTHER THAN THE APPLICABLE PLEDGED REVENUES.**

(c) *Completion Agreement.* Contemporaneously herewith, the Developer has entered into the Completion Agreement with the City and the Trustee, and pursuant to its terms, has agreed to initially fund the costs of Authorized Improvements that are not otherwise paid directly from the proceeds of PID Bonds.

The Parties understand and agree that the Service and Assessment Plan contemplates that not all Actual Costs of Authorized Improvements required to be paid by the Developer from its own sources pursuant to the Completion Agreement are reimbursable to the Developer to the extent of the unavailability of funds. Such unreimbursed Actual Costs of Authorized Improvements shall be the sole financial obligation and responsibility of the Developer.

(d) *Reimbursement Agreement.* Actual Costs of Authorized Improvements initially satisfied by and reimbursable to the Developer pursuant to the Completion Agreement and the Reimbursement Agreement (such reimbursable Actual Costs, the “**Reimbursable Actual Costs**”) shall be paid (i) on a cash-flow basis, from available and applicable Special Assessment Revenues from time to time deposited to the Reimbursement Fund under the Applicable Indenture or (ii) from proceeds of Additional Bonds issued for reimbursement purposes, all pursuant to this Agreement and the Reimbursement Agreement. Contemporaneously herewith, the Parties have entered into the Reimbursement Agreement.

When (but not before, unless specifically provided otherwise in the Reimbursement Agreement) Reimbursable Actual Costs have been fully paid (whether by the Developer pursuant to the Completion Agreement or from another Available Source of Payment) and the Developer has been fully reimbursed therefor pursuant to the terms of the Reimbursement Agreement, the Developer’s right to receive reimbursement thereunder, from any source, shall automatically terminate and any lien thereunder created be discharged.

(e) *Priority of Use of Available Sources of Payment.* The Service and Assessment Plan identifies the Available Sources of Payment for payment of the Actual Costs of Authorized Improvements. To the extent the Service and Assessment Plan identifies multiple Available Sources of Payment for the same Actual Costs of Authorized Improvements, the payment of such Actual Costs from Available Sources of Payment shall be made in the following order of priority (to the extent of availability of funds from such specified Available Source of Payment):

(i) *First*, from PID Bonds proceeds;

(ii) *Second*, from any excess Special Assessment Revenues (such amounts, if any, then-being on deposit in the Excess Collections Fund of the applicable Indenture); and

(iii) *Third*, from the Developer pursuant to the Completion Agreement (which amounts are reimbursable to the Developer from amounts from time to time on deposit in the Reimbursement Fund of the applicable Indenture pursuant to the Reimbursement Agreement).

Each Certification for Payment shall, following the order of priority identified above, specify the Available Sources of Payment and amounts necessary from each to satisfy the payment request that is the subject of such certificate.

Section 2.03. Collection of Special Assessments

(a) The City shall collect the Special Assessments in a manner that is consistent with the City's policies and standard practices applicable to the collection of City ad valorem taxes and other special assessments. In furtherance of the foregoing, the City covenants and agrees that it shall, as authorized by the PID Act and other applicable law, contract with or otherwise agree with the San Patricio County Tax Assessor-Collector's Office to provide that (i) Special Assessments that have been levied and imposed as described in Section 2.01(c)(i) be continuously collected and (ii) that the Special Assessments will be included on the ad valorem tax bill(s) for the owners of Assessed Property and collected as part of and in the same manner as ad valorem taxes.

(b) The City covenants and agrees that, to the extent permitted by applicable law, it will not permit a reduction, abatement, or exemption in the Special Assessments due on any portion of any Assessed Property within the District until the first to occur of the following: (i) the Special Assessments have been repaid in full or (ii) (A) all series of PID Bonds are no longer outstanding (whether as a result of payment in full, defeasance or otherwise) and (B) until the reimbursement obligation under the Reimbursement Agreement (if any) is paid out in full pursuant to the terms thereof.

(c) Notwithstanding anything to the contrary contained herein or in the Service and Assessment Plan, the Special Assessment Revenues annually collected under this Agreement and pursuant to the Assessment and SAP Ordinance shall, upon collection, be deposited with the Applicable Trustee for further deposit thereby to the various accounts as established and specified in the Applicable Indenture. This provision shall only remain effective for so long as any PID Bonds are outstanding.

Section 2.04. Approval and Recordation of Special Assessments through Landowner Agreement

(a) Concurrently with the adoption of the Assessment and SAP Ordinance, the Developer shall execute (and shall cause any other non-homeowner owner of any of the Assessed Property or other property in the District contemplated under the Service and Assessment Plan and Development Agreement to be Assessed Property) a "**Landowner Agreement**" (herein so called and defined) covering the entire District.

The Landowner Agreement shall (a) include approval and acceptance of each owner of Assessed Property of the apportionment of Special Assessments in the Service and Assessment Plan contemplated therein initially and at any time in the future, and the City's levy and imposition of the Special Assessments on such Assessed Property; (b) evidence of Developer's intent that, with respect to such Assessed Property, the Special Assessments be "covenants running with the land" that (i) bind the Developer (which, by definition, includes its designated successors and assigns) to the Special Assessments, including applicable interest thereon, as and when due and payable thereunder and (ii) provide that subsequent purchasers of such Assessed Property take their title subject thereto and expressly assume the terms and provisions of the Special Assessments levied and imposed on such Assessed Property; and (c) provide that the liens on the

subject Assessed Property created by the levy and imposition of the Special Assessments are a first and prior lien on such Assessed Property, subject only to liens for ad valorem taxes of the State, the City, the County, school district, special district or other political subdivision of the State.

Section 2.05. Actual Costs

(a) The Parties hereby acknowledge and agree that the Developer shall, solely from the proceeds of PID Bonds issued for the purpose of reimbursement or Special Assessment Revenues, and TIRZ Revenues, on a cash-flow basis as described in Section 2.02 and pursuant to the terms of any Reimbursement Agreement, be reimbursed for Reimbursable Actual Costs; provided, however, that, notwithstanding anything to the contrary herein contained, the Parties hereby acknowledge and agree that Actual Costs of Authorized Improvements satisfied by the Developer under the Completion Agreement, if classified as Reimbursable Actual Costs, may not be fully reimbursed from the aforementioned sources because of their limited availability. The Parties acknowledge that any costs that are not classified as Reimbursable Actual Costs shall not be reimbursed from any of the aforementioned sources. A Developer reimbursement for Reimbursable Actual Costs as hereinbefore described shall constitute a “reimbursement” under the PID Act.

(b) The Parties agree that the City’s reimbursement obligations under the Reimbursement Agreement shall not, under any circumstances, give rise to or create a charge against the City’s general credit or taxing power or a debt or other obligation of the City payable from any source other than those described in Section 2.05(a).

(c) Developer’s right, title and interest to reimbursement for Reimbursable Actual Costs shall be the sole and exclusive property of Developer (or its Transferee) and no other third party shall have any claim or right to such funds unless Developer transfers its rights to such unreimbursed Reimbursable Actual Costs to a Transferee in writing and otherwise in accordance with the requirements set forth herein. If any applicable Authorized Improvement to be constructed in accordance with this Agreement has been constructed and accepted by the City, the San Patricio County Drainage District, or such other appropriate political subdivision, as applicable (any of the foregoing, an “**Applicable Entity**”), Developer has the right to convey, transfer, assign, mortgage, pledge, or otherwise encumber, in whole or in part without the consent of (but with notice to) the City, all or any portion of Developer’s right, title, or interest in and to payment of a related unreimbursed Reimbursable Actual Costs (a “**Transfer**,” and the person or entity to whom the transfer is made, a “**Transferee**”) for the applicable Authorized Improvement; provided, however, that more than one Transfer shall require that the Developer establish an escrow or trust to which such Transfer shall be made so the City shall not be required to administer or monitor more than one Transfer. Notwithstanding the foregoing, no Transfer shall be effective until written notice of the Transfer, including (A) the name and address of the Transferee and (B) a representation by the Developer that the Transfer does not and will not result in the issuance of or security for municipal securities by any other state of the United States or political subdivision (including affiliated entities thereby entitled to act on their behalf) thereof, is provided to the City. The City may rely conclusively on any written notice of a Transfer provided by Developer without any obligation to investigate or confirm the Transfer.

ARTICLE III. CONSTRUCTION AND ACQUISITION OF AUTHORIZED IMPROVEMENTS

Section 3.01. Acquisition, Construction, and Dedication of Authorized Improvements

(a) Developer shall construct, or cause the construction of, the Authorized Improvements utilizing commercially reasonable efforts and shall construct, or cause the construction of, the Authorized Improvements such that the Authorized Improvements shall be in a form that will allow the Applicable Entity to accept such Authorized Improvement in accordance with that Applicable Entity’s standard

regulations and procedures for acceptance of public improvements, generally, and the particular Authorized Improvements, specifically. Once the Developer begins construction of any Authorized Improvement or Segment thereof, Developer shall use commercially reasonable efforts to complete said Authorized Improvement or Segment within a commercially reasonable duration. Construction of an Authorized Improvement or Segment thereof shall include design, permitting, construction, installment or improvement of the Authorized Improvement or Segment, as applicable.

(b) The Developer shall, prior to commencement of acquisition or construction efforts regarding an Authorized Improvement, (i) identify the Applicable Entity to whom such Authorized Improvement will be dedicated upon such Authorized Improvement's acquisition or completed construction, (ii) with respect to an Applicable Entity other than the City, determine the terms by which such Applicable Entity shall accept the dedication of Authorized Improvement(s) (written evidence of which the Developer shall deliver to the City prior to commencement of efforts that will result in acquisition or construction of the subject Authorized Improvement(s)), and (iii) deliver to the City, as applicable with respect to the subject Authorized Improvement, evidence of approval of the Applicable Entity to whom such Authorized Improvement will be dedicated of the plans and specifications pursuant to which such Authorized Improvements will be constructed, accompanied by any permits or governmental approvals that are necessary to complete such construction or acquisition and evidence of any and all payment and performance bonds and insurance policies related to any of the foregoing as required by the provisions of this Agreement.

Notwithstanding anything contained herein to the contrary, the City will not release any Available Sources of Payment for payment for the Actual Costs of the Authorized Improvements until the Developer has demonstrated to the City evidence of its compliance with this Section 3.01(b).

(c) Upon completion, the Developer will dedicate the Authorized Improvements identified in the Service and Assessment Plan to the Applicable Entity. Dedication of an Authorized Improvement to the Applicable Entity shall be accompanied by Developer's assignment to the Applicable Entity of all of the Developer's rights in any warranties, guarantees, maintenance obligations or other evidences of contingent obligations of third persons with respect to such Authorized Improvement. The schedule on Exhibit "E" attached hereto describes the Authorized Improvements and to which Applicable Entity the Authorized Improvement shall or is expected to be dedicated.

(d) The City's acceptance of Authorized Improvements shall be in accordance with the City standard rules and procedures for the acceptance of subdivision improvements, as modified by this Agreement or the Development Agreement. The Parties intend that each Applicable Entity will accept dedication of the specified Authorized Improvements after confirming that such Authorized Improvement(s) have been completed in accordance with this Agreement, the approved construction plans for such Authorized Improvements, and prudent and commercially reasonable engineering practices.

Section 3.02. Designation of Construction Manager, Construction Engineers

(a) The City hereby designates the Developer, or its Designated Successors and Assigns, as the Construction Manager with full responsibility for the design, the designation of easement locations, facilities site designations and acquisitions, supervision of construction, and the bidding and letting of construction contracts for the construction of the Authorized Improvements in accordance with the provisions of this Article III subject to the Applicable Entity's review and approval of design specifications and easement locations. The City acknowledges and agrees that (i) the Developer may choose to subcontract out the duties of Construction Manager to a third party and (ii) Developer's hiring of the initial subcontractor to serve as the Construction Manager shall not be deemed a change in the Construction Manager pursuant to the terms and conditions of this Article III.

(b) Inspection of the construction of Authorized Improvements shall be completed by a representative of the Applicable Entity to whom such Authorized Improvement(s) are to be dedicated or, as applicable, a City representative.

(c) The Project Engineer is hereby the designated consulting engineers for the Authorized Improvements.

Section 3.03. Maintenance of Authorized Improvements, Warranties

(a) Unless otherwise provided for such responsibility to be assumed by or assigned to an acceptable third party, the Developer shall maintain each Authorized Improvement in good working order and safe condition until such Authorized Improvement is dedicated to and accepted by the Applicable Entity. Prior to such acceptance by the Applicable Entity, the Developer shall, at its cost, be responsible for performing any required maintenance on such Authorized Improvement.

(b) Except for the Authorized Improvements whose maintenance costs are paid pursuant to the terms of the Maintenance Agreement, the Applicable Entity shall, upon written acceptance of an Authorized Improvement (and subject to any applicable maintenance-bond period), be responsible for all costs of operation and maintenance of such Authorized Improvement.

(c) The City agrees that Section 252.022(a)(9), as amended, Texas Local Government Code, which allows construction of the Authorized Improvements to be exempt from any municipal public bidding or other municipal purchasing and procurement policies for “paving drainage, street widening, and other public improvements, or related matters, if at least one third of the cost is paid by or through assessments levied on property that will benefit from the improvements” shall apply to the Developers’ construction of Authorized Improvements.

Section 3.04. Regulatory Requirements

(a) Notwithstanding anything to the contrary contained herein, the Developer shall be responsible for the costs of designing, constructing, and obtaining the Applicable Entity’s acceptance of the Authorized Improvements, in accordance with applicable local, state, and federal regulations, Project plans and specifications (as approved by the Applicable Entity), and prudent and commercially reasonable engineering practices.

(b) The City agrees that it and its representatives will cooperate with the Developer, to the extent reasonably possible without detriment to proper engineering review, comment, and revision, on the review and approval of the engineering, design, plans, and specifications of all Authorized Improvements to be dedicated to the City submitted by the Developer. The Developer acknowledges that the City shall be the reviewing entity for certain applications and approvals.

Section 3.05. Additional Requirements for Authorized Improvements Funded with Special Assessment Revenues

The following additional requirements shall be applicable to all Authorized Improvements funded in accordance with the procedures set forth in this Agreement:

(a) At the time of effectiveness of this Agreement, the Project Engineer shall deliver to the City a certification from the Project Engineer that then-available amount of funding from the Available Sources of Payment, taking into account the costs of any then-constructed Authorized Improvements and

the costs of Authorized Improvements construction of which has at such time commenced is sufficient to fund the full cost of design and construction of the Authorized Improvement or segment.

(b) Prior to commencing construction of any Authorized Improvements, the Project Engineer shall review all plans and specifications, construction contract and related materials for the applicable Authorized Improvement, and shall certify to the Developer, the City, any other Applicable Entity to whom such Authorized Improvement(s) will be dedicated, and the Applicable Trustee that the then-available amount of funding from the Available Sources of Payment is sufficient to fund the full cost of design and construction of the applicable Authorized Improvement or Segment (exclusive of any construction management fees, which the Service and Assessment Plan says may be included as Actual Costs).

(c) The Construction Manager will maintain a quarterly updated accounting of funds disbursed, work progress and remaining funding needed to complete each Authorized Improvement or Segment. Such accounting shall include a reconciliation of any un-advanced amounts from the Available Sources of Payment, as compared to the remaining costs to complete each applicable Authorized Improvement. The Construction Manager will provide such quarterly reports to the Developer, the City, and the Applicable Trustee.

(d) All change orders or cost increases for applicable Authorized Improvements must be approved by the Developer, the Construction Manager, and the City, to the extent any such change order is in excess of \$100,000.00, or if such a change order, if approved, will cause the cumulative amount of change orders for all Authorized Improvement to exceed 15% of the originally budgeted amount for the Authorized Improvements; provided, however, that no change order (regardless of the amount) shall substantially change the character or nature of any Authorized Improvement. The Construction Manager shall provide copies of all approved change orders to the PID Administrator and Applicable Trustee within ten (10) days after approval.

(e) Any requirement by the City for the posting of a payment and performance bond or similar fiscal security shall be offset by any funds held by the Applicable Trustee under the Applicable Indenture in the Applicable Project Fund.

ARTICLE IV. PAYMENT FOR AUTHORIZED IMPROVEMENTS

Section 4.01. Limited Sources of Payment

As provided in Sections 2.02(a) and 2.05(a), Actual Costs of Authorized Improvements are payable solely from the Available Sources of Payment; further, any City obligations to repay indebtedness evidenced by any series of PID Bonds, to reimburse the Developer under any Reimbursement Agreement, or to cause the issuance of any series of PID Bonds other than the Initial PID Bonds are subject to the actual or anticipated availability of Special Assessment Revenues and TIRZ Revenues. Unless specifically approved by the City Council, and except for tax increment revenue zone revenues available for such purpose, no other funds, revenues, taxes, or income of any kind shall be used to pay the obligations described above. No obligation arising hereunder or under an agreement hereunder referenced, under any circumstances shall give rise to or create a charge against the general credit or taxing power of the City or constitute a debt or other obligation of the City payable from any source other than those specifically identified in this Section 4.01.

Notwithstanding any provision of this Agreement to the contrary, the City makes no warranty, either express or implied, that the Available Sources of Payment or the Special Assessment Revenues will be sufficient for their intended purposes; rather, the Parties understand that the Actual Cost of the

Authorized Improvements may be greater than the Available Sources of Payment. The Parties hereby agree that the Developer shall bear one hundred percent (100%) of that portion of the Actual Costs of Authorized Improvements in excess of the Available Sources of Payment.

Section 4.02. Co-Developers

The Parties agree that the Developer may, upon delivery to the City of fifteen business days' prior written notice, enter into agreements with one or more real estate developers or residential builders (each other developer or builder, a "**Co-Developer**") to sell some or all of the Property or to develop all or a portion of the Property (which may result in the Co-Developer's acquisition or construction of certain Authorized Improvements in accordance with the provisions of this Agreement). The Developer may submit as Actual Costs for reimbursement such costs of acquiring or constructing Authorized Improvements paid by a Co-Developer and obtain reimbursement, on behalf of and for payment to such Co-Developer, for such Reimbursable Actual Costs.

Section 4.03. Payments for Authorized Improvements

(a) *General.* The following procedures set forth in this Section 4.03 shall apply to all Certifications for Payment regardless of the Available Source of Payment from which funds are accessed to pay Actual Costs of Authorized Improvements that are the subject of such payment request. These requirements are in addition to any conditions precedent specified in the Applicable Indenture for the release of funds from an Applicable Project Fund or similar provisions under any Developer loan agreement entered into to satisfy its obligations under the Completion Agreement.

(b) *Certifications for Payment.* Developer shall be entitled to submit and receive draws (not to exceed one (1) per month) from Available Sources of Payment based on the Actual Cost for completed Authorized Improvement or Segments thereof. Each draw request shall be comprised of a Certification for Payment, in substantially the form attached hereto as Exhibit C, executed by the Project Engineer and Construction Manager, specifying that the identified work has been performed and the Actual Cost thereof and include the following:

(i) A Bills Paid Affidavit from the contractor;

(ii) Copies of all supporting invoices with respect to such payment of Actual Costs to substantiate the draw request;

(iii) Waivers of liens for work on the applicable Authorized Improvements, or Segment thereof, through the date of the previous Certification for Payment and receipts for payment from the contractor and, if requested by the City, any subcontractors for the current Certification for Payment;

(iv) Written evidence of satisfaction of the requirements of Section 3.01(b);

(v) Identification of and amounts from the Available Source(s) of Payment from which the requested payment shall be made, pursuant to the order of priority identified in Section 2.02(f);

(vi) Written evidence that the Project Engineer has conducted a review, the results of which confirm that the subject Authorized Improvement was constructed in accordance with the plans and specifications therefor;

(vii) Written evidence from the Project Engineer verifying and approving the Actual Cost of such Authorized Improvements specified in the accompanying Certification for Payment; and

(viii) Certification from the Developer that, as of the date of such Certification for Payment, the representations and warranties herein made by the Developer remain true, accurate, and complete, that there then exists no default or event of default hereunder, and that the Developer is unaware of a fact, condition, or circumstance that could result, or with the passage of time will result, in a default or event of default hereunder.

(c) *Final Draw.* In addition to the requirements specified in Section 4.03(b), the following deliverables shall accompany a request for final payment of the Actual Costs of an Authorized Improvement:

(i) Written evidence of the Developer's assignment to the Applicable Entity of the warranties and guaranties, as and if applicable, for the subject Authorized Improvement; and

(ii) If the subject Authorized Improvement is to be dedicated to an Applicable Entity other than the City, evidence that the Applicable Entity will be accepting or has accepted the dedication of the Authorized Improvement.

(d) *Payment of Certifications for Payment.* Upon receipt of a completed Certification for Payment accompanied by the requisite deliverables identified in this Section 4.03, the City shall, within fifteen calendar days of its determination of receipt of a Certification for Payment that is compliant with the applicable provisions of this Agreement, execute the Certification for Payment evidencing its approval and (i) if such Certification for Payment is to be paid from the identified Available Source(s) of Payment, forward the same to the appropriate party (whether the Applicable Trustee or the Developer's lender) for payment.

(e) *Disapproval of Draw Request; Insufficiency of Available Sources of Payment.* If the City disapproves any Certification for Payment, the City shall provide a written explanation of the reasons for such disapproval so that the Developer may revise the Certification for Payment in accordance with City's comments and resubmit for City approval. The City shall only disapprove a Certification for Payment in good faith for a material reason.

Notwithstanding anything to the contrary contained herein, if the quarterly reconciliation provided by the Construction Manager pursuant to Section 3.05(b) above for a particular Authorized Improvement shows that the Available Sources of Payment are insufficient to fund the remaining design and construction costs of that Authorized Improvement after taking into consideration any contingencies, the City shall not be obligated to authorize payments of funds exceeding the Available Sources of Payment for such Authorized Improvements (as provided in the Service and Assessment Plan) until such time as Developer provides evidence satisfactory to the City that Developer has or will provide funds, in addition to the Available Sources of Payment then-available for such purpose, in an amount sufficient to fully fund the remaining design and construction costs of that Authorized Improvement.

Section 4.04. Reimbursement of Developer Expended Funds

Prior to the issuance of any PID Bonds, the Parties anticipate that the Developer will have expended funds for costs reimbursable under the PID Act, including incurrence of Reimbursable Actual Costs (the "**Developer Expended Funds**"). At least 15 business days prior to the closing date of the applicable PID Bonds issuance, Developer shall submit to the City a "Closing Disbursement Request", in the form attached

hereto as Exhibit “D”. The City shall sign the Closing Disbursement Request and deliver said Closing Disbursement Request to the Applicable Trustee. At the closing of a series of PID Bonds from which Developer Expended Funds will be reimbursed, the Developer shall be reimbursed an amount equal to the Developer Expended Funds for the applicable PID Bond issuance and such amount shall be transferred by the Applicable Trustee to the Developer or Developer’s designee at the closing of the applicable PID Bond issuance.

ARTICLE V. PID BONDS AND REIMBURSEMENT AGREEMENT

Section 5.01. PID Bonds and Reimbursement Agreement; Initial PID Bonds

(a) *Generally.* The City intends that the Actual Costs of Authorized Improvements will be paid from the Available Sources of Payment in the order of priority specified in Section 2.02(e).

(b) *Initial PID Bonds Issuance and Reimbursement Agreement.* Concurrently with its entering into this Agreement, the City will adopt the Initial PID Bonds and Reimbursement Agreement Ordinance authorizing the issuance of the Initial PID Bonds and its executing and entering into the Reimbursement Agreement.

(c) *City as Sole Issuer of PID Bonds; Limitation on Other Form of Indebtedness.* The Parties agree that the City shall, by ordinance of the City Council and pursuant to the terms of each Applicable Indenture, be the sole issuer of PID Bonds. The Parties further agree that PID Bonds are the sole form of capital market or tax exempt indebtedness whose primary or sole source of security or repayment, in whole or in part, is Special Assessment Revenues.

Section 5.02. Issuance of Additional Bonds

(a) From time to time during Project development, the Developer may submit Bond Issuance Requests to the City. Additional Bonds shall not be issued unless any prerequisites to the issuance of such Additional Bonds (i.e. any additional bonds test) established by an Applicable Indenture are satisfied. Each Bond Issuance Request shall include the following information:

(i) An Appraisal of all property within the District that will be Assessed Property as of the date of issuance of the proposed series of Additional Bonds, which Appraisal demonstrates a “value to lien” ratio of not less than 3 times to 1 times (taking into account all PID Bonds to be outstanding after the issuance of the Additional Bonds that are the subject of the Bond Issuance Request).

(ii) A schedule indicating the Actual Costs (including any Reimbursable Actual Costs) on which will be spent the proceeds of the requested series of Additional Bonds;

(iii) Supporting information including an Engineer’s Opinion of Probable Cost that is satisfactory to the City.

(iv) A certification from the Developer that:

A. No outstanding PID Bonds are in default under the terms of the Applicable Indenture and no reserve funds therefor, established and maintained under the Applicable Indenture, have been drawn upon that have not as of such date of certification been replenished;

B. The representations and warranties herein made by the Developer remain true, accurate, and complete in all material respects;

C. That there then exists no default or event of default hereunder; and

D. That the Developer is unaware of a fact, condition, or circumstance that could result, or with the passage of time will result, in a default or event of default hereunder;

(v) A certification from the PID Administrator indicating that the Actual Costs (including any Reimbursable Actual Costs) to be paid with proceeds from the requested series of Additional Bonds are (A) properly incurred pursuant to and in accordance with the provisions of the Service and Assessment Plan and (B) eligible to be paid with the proceeds of such Additional Bonds; and

(vi) Any other financial analysis required pursuant to the terms of this Agreement or reasonably requested by the City, the Administrator, or the City's financial advisor.

(b) The City hereby agrees, upon receipt of a complete Bond Issuance Request and after determining adequate security for repayment of the proposed Additional Bonds, to use diligent, good faith efforts to authorize the issuance of the requested Additional Bonds as soon as reasonably practicable (with a goal of authorization of issuance of such requested Additional Bonds within four (4) to six (6) months after receipt of such completed Bond Issuance Request). A Bond Issuance Request is considered complete for purposes of this Agreement when the City determines, within its reasonable discretion, that such Bond Issuance Request received from the Developer includes any and all reasonably requested information that is necessary and useful to the City for its determination that the requested Additional Bonds issuance is advisable (as generally described in Section 5.02(a) above).

Section 5.03. Characteristics of All PID Bonds

(a) *Final Maturity.* No series of PID Bonds shall finally mature on a date that is later than the 30th anniversary of the date of its initial issuance or the date that is the 40th anniversary of the date of this Agreement.

(b) *Evidences of Legality.* No series of PID Bonds shall be issued unless:

(i) The statutory requirements established in the PID Act as conditions precedent to the issuance of obligations such as the PID Bonds have been satisfied;

(ii) The City shall receive at the time of issuance of a series of PID Bonds an opinion of nationally recognized bond counsel selected by the City stating in effect that the subject series of PID Bonds are legal and valid under Texas law and that all conditions to their issuance under State law have been satisfied; and

(iii) The City has received the approving opinion of the Attorney General of the State of Texas as required by the PID Act.

(c) *Method of Sale.* PID Bonds that are not Investment Grade Bonds shall be marketed and sold through negotiated sale to an approved third party with the cooperation and assistance of the Developer in all respects (particularly, the preparation of marketing documents, such as preliminary and final official statements, limited offering memoranda, or such other marketing and/or sales method mutually

agreed upon by the City and the Developer); Investment Grade Bonds may be marketed and sold either via a competitive or negotiated sale.

(d) *Denominations, Maturity, Interest, and Security.* With the exception of Refunding Bonds or Investment Grade Bonds, each series of PID Bonds shall be issued in the minimum denominations of \$100,000 (and any integral multiples of \$1,000 in excess thereof); Refunding Bonds and Investment Grade Bonds may be issued or acquired in principal denominations of \$5,000 or any integral multiple thereof, notwithstanding any subsequent downgrade, suspension or withdrawal of such rating. Each series of PID Bonds shall mature and be pre-payable, bear interest, and be secured by and payable solely from the Applicable PID Bond Security, all to be as described and provided in the Applicable Indenture.

Section 5.04. PID Bonds Proceeds; Project Fund; Excess Funds

(a) *Generally.* Subject to the other terms and provisions of this Section 5.04, the final and adopted versions of each PID Bond Ordinance and each Indenture (and all documents incorporated or approved therein) shall contain provisions relating to the withdrawal, application, and uses of the proceeds of the applicable series of PID Bonds when and as issued and delivered and otherwise contain such terms and provisions as are mutually approved by the City and the Developer.

(b) *Project Fund; Project Fund Disbursements.* The City hereby covenants and agrees that each Indenture will establish a Project Fund as a separate fund to be held by the Trustee under that Indenture. The portion of the proceeds of the series of PID Bonds issued pursuant to such Indenture to pay Actual Costs of Authorized Improvements and Bond Issuance Costs shall be deposited upon issuance into separate accounts within the Applicable Project Fund as described in the Applicable Indenture.

PID Bonds proceeds held in the various segregated accounts of the Applicable Project Fund will be advanced by the Applicable Trustee to fund the Actual Costs of Authorized Improvements upon receipt of a completed Certification for Payment, as further described in accordance with Section 4.03.

(c) *Excess PID Bonds Proceeds.* If proceeds from PID Bonds are still available after all the Authorized Improvements identified in the initial Service and Assessment Plan are dedicated to and accepted by the Applicable Entity and Developer has been reimbursed for all Reimbursable Actual Costs incurred in connection therewith, the remaining PID Bonds proceeds may be utilized to finance other Authorized Improvements within the District, if such additional Authorized Improvements are identified in an Annual Service Plan Update, and benefitting Assessed Property from whom the Special Assessment Revenues securing the repayment of such series of PID Bonds are received and for which reimbursements are not being received by the Developer from other public sources or to redeem PID Bonds, as provided in the Applicable Indenture.

Section 5.05. Bank Qualified Debt

(a) In any calendar year in which PID Bonds are issued, the Developer agrees to pay the City additional costs occurring solely from the difference in interest cost (“**Additional Costs**”) the City may incur in the issuance of City obligations (the “**City Obligations**”) as described in this Section if the City Obligations are deemed not to qualify for the designation of “qualified tax-exempt obligations” (“**QTEO**”) as defined in section 265(b)(3) of the Internal Revenue Code of 1986, as amended, as a result of the issuance of PID Bonds by the City in any given year. The City agrees to deposit all funds for the payment of such Additional Costs received under this Section into a segregated account of the City, and such funds shall remain separate and apart from all other funds and accounts of the City until December 31 of the calendar year in which the PID Bonds are issued, at which time the City is authorized to utilize such funds

for any purpose permitted by law; provided, however that if the City fails to use diligent, good faith efforts to issue PID Bonds as required by Article V and that failure causes PID Bonds to be issued in a different calendar year or not to be issued at all, the City shall refund to Owner all Additional Costs paid by Developer as a result of such failure. Additionally, the City will provide the Developer on an annual basis no later than December 15th each year the projected amount of City Obligations to be issued in the upcoming year based on its annual budget process.

(b) In the event the City issues PID Bonds prior to the issuance of City Obligations, the City, with assistance from its Financial Advisor, shall calculate the estimated Additional Costs based on the market conditions as they exist approximately forty-five (45) days prior using independent third party public pricing information to the date of the pricing of the PID Bonds (the “**Estimated Additional Costs**”), the City shall provide a written invoice to the Developer, and the Developer shall have twenty (20) days to review and provide input on the calculation to the City. The Developer shall pay such Estimated Additional Costs to the City on or before the earlier of (i) twenty (20) business days after the date of the City’s invoice or (ii) fifteen (15) business days prior to pricing the PID Bonds. The City shall not be required to price or sell any issue of PID Bonds until the Developer has paid to the City the Estimated Additional Costs related to the PID Bonds then being issued. The Estimated Additional Costs are an estimate of the increased cost to the City to issue its City Obligations as non-QTEO. Upon the City’s approval of the City Obligations, the City’s Financial Advisor shall calculate the actual Additional Costs to the City of issuing its City Obligations as non-QTEO (the “**Actual Increased Costs**”). The City will, within five (5) business days of the issuance of the City Obligations, notify the Developer of the Actual Increased Costs. In the event the Actual Increased Costs are less than the Estimated Additional Costs, the City will refund to the Developer the difference between the Actual Increased Costs and the Estimated Additional Costs within ten (10) business days of the date of the City’s notice to the Developer of the Actual Increased Costs. If the Actual Increased Costs are more than the Estimated Additional Costs, the Developer will pay to the City the difference between the Actual Increased Costs and the Estimated Additional Costs within ten (10) business days of the date of the City’s notice to the Developer of the Actual Increased Costs. If the Developer does not pay the City the difference between the Actual Increased Costs and the Estimated Additional Costs within ten (10) business days of the date of the City’s notice to the Developer of the Actual Increased Costs, the Developer shall not be reimbursed any Reimbursable Actual Costs under any Reimbursement Agreement until such payment is made in full. If the City does not issue the City Obligations by the end of the calendar year in which PID Bonds are issued, the City will refund to the Developer the Additional Costs paid by the Developer in such calendar year within ten (10) business days after the end of such calendar year.

(c) In the event the City issues City Obligations prior to the issuance of PID Bonds, the City’s Financial Advisor shall calculate the estimated Additional Costs based on the market conditions as they exist approximately forty-five (45) days prior to the date of the pricing using independent third party public pricing information of the City Obligations (the “**Estimated Additional City Obligation Costs**”), the City shall provide a written invoice to the Developer, and the Developer shall have ten (10) business days to review and provide input on the calculation to the City. The Developer shall pay such Estimated Additional City Obligation Costs to the City at least fifteen (15) days prior to pricing the City Obligations. If the Developer has not paid the Estimated Additional City Obligation Costs to the City by the required time, the City, at its option, may elect to designate such City Obligations as QTEO, and the City shall not be required to issue any PID Bonds in such calendar year. The Estimated Additional City Obligation Costs are an estimate of the increased cost to the City to issue its City Obligations as non-QTEO. Upon the City’s issuance of the City Obligations, and if the City actually issues PID Bonds in that calendar year, the City’s Financial Advisor shall calculate the actual Additional Costs to the City of issuing its City Obligations as

non-QTEO (the “**Actual Increased City Obligation Costs**”). The City will, within five (5) business days of the issuance of the City Obligations, notify the Developer of the Actual Increased City Obligation Costs. In the event the Actual Increased City Obligation Costs are less than the Estimated Additional City Obligation Costs, the City will refund to the Developer the difference between the Actual Increased City Obligation Costs and the Estimated Additional City Obligation Costs within ten (10) business days of the date of the City’s notice to the Developer of the Actual Increased City Obligation Costs. If the Actual Increased City Obligation Costs are more than the Estimated Additional City Obligation Costs, the Developer will pay to the City the difference between the Actual Increased City Obligation Costs and the Estimated Additional City Obligation Costs within ten (10) business days of the date of the City’s notice to the Developer of the Actual Increased City Obligation Costs. If the Developer does not pay the City the difference between the Actual Increased City Obligation Costs and the Estimated Additional City Obligation Costs within ten (10) business days of the date of the City’s notice to the Developer of the Actual Increased City Obligation Costs, the Developer shall not be reimbursed any Reimbursable Actual Costs under any Reimbursement Agreement until such payment is made in full.

(d) To the extent the Developer has paid Additional Costs for any particular calendar year, any such Additional Costs paid subsequently to the City applicable to the same calendar year shall be reimbursed by the City to the Developer as necessary so as to put all developers and the Developer so paying for the same calendar year in the proportion set forth in subsection (e), below, said reimbursement to be made by the City within ten (10) business days after its receipt of such subsequent payments of such Additional Costs.

(e) The City shall charge Additional Costs attributable to any other developer or the Developer on whose behalf the City has issued debt in the same manner as described in this Section 5.05, and the Developer shall only be liable for its portion of the Additional Costs under this provision, and if any Additional Costs in excess of the Developer’s portion had already been paid to the City under this provision, then such excess of Additional Costs shall be reimbursed to the Developer. The portion owed by the Developer shall be determined by dividing the total bond proceeds from any debt issued on behalf of the Developer in such calendar year by the total bond proceeds from any debt issued by the City for the benefit of all developers and the Developer in such calendar year.

Section 5.06. Reimbursement Fund for Reimbursing Reimbursable Actual Costs under Reimbursement Agreement

(a) For so long as the Reimbursement Agreement is outstanding and in effect and the related Special Assessment from which the Special Assessment Revenues thereunder pledged are also pledged as the source of security for and repayment of PID Bonds, the City shall in each Indenture (except the Indenture pursuant to which the final Additional Bonds are issued) provide for creation, establishment, and maintenance by the Applicable Trustee thereunder of a “Reimbursement Fund”, to be held separate and apart from all other funds and accounts for the purpose of paying to the Developer the Reimbursement Obligation, as defined in the Reimbursement Agreement. Each Indenture (except the Indenture pursuant to which the final Additional Bonds are issued) shall provide that the Applicable Trustee deposit to each Reimbursement Fund the requisite amount of Special Assessment Revenues, as specified in the applicable Reimbursement Agreement, when and as received from the City for disposition pursuant to the terms of the Applicable Indenture.

(b) In the event that there is a remaining Reimbursement Obligation upon total repayment of all series of PID Bonds and there has been a related discharge of the Applicable Indenture and Special

Assessments remain outstanding on the Assessed Property, the City shall create, establish, and maintain, on its books and accounts, separate and apart from all other City funds and accounts, a “Post-Repayment Reimbursement Fund”, for the purposes of receiving applicable Special Assessments Revenues and therefrom paying to the Developer the Reimbursement Obligation, until the Maturity Date (as defined in the Reimbursement Agreement) or until all Actual Costs of Authorized Improvements have been reimbursed to the Developer.

ARTICLE VI. REPRESENTATIONS AND WARRANTIES

Section 6.01. Representations and Warranties of City.

The City makes the following representation and warranty for the benefit of the Developer: the City is a political subdivision of the State of Texas, duly incorporated, organized and existing under the Constitution and general laws of the State, and has full legal right, power and authority under the PID Act and other applicable law (a) to enter into, execute and deliver this Agreement, (b) to adopt the Assessment and SAP Ordinance, and (c) to carry out and consummate the transactions contemplated by this Agreement.

Section 6.02. Representations, Warranties, and Covenants of Developer

The Developer makes the following representations, warranties and covenants for the benefit of the City:

(a) The Developer is a limited liability company duly organized and validly existing under the laws of the State of Texas, and has the power and authority to own its properties and assets and to carry on its business as now being conducted and as now contemplated.

(b) The Developer has the power and authority to enter into this Agreement, and has taken all action necessary to cause this Agreement to be executed and delivered, and this Agreement has been duly and validly executed and delivered on behalf of the Developer;

(c) This Agreement is a valid and enforceable obligation of the Developer and is enforceable against the Developer in accordance with its terms, subject to bankruptcy, insolvency, reorganization, or other similar laws affecting the enforcement of creditors’ rights in general and by general equity principles;

(d) Once it commences construction of an Authorized Improvement or Segment thereof, the Developer will use its reasonable and diligent efforts to do all things which may be lawfully required of it in order to cause such Segment of the Authorized Improvements to be completed in accordance with this Agreement;

(e) The Developer will not commit any act in, upon or to the Property or the Project in violation of any law, ordinance, rule, regulation, or order of any governmental authority or any covenant, condition or restriction now or hereafter affecting the Property or the Project;

(f) The Developer (i) will not request payment for any costs that are not Actual Costs of Authorized improvements and (ii) will diligently follow all procedures set forth in this Agreement with respect to Payment Requests;

(g) For a period of two years after the date of acceptance by the Applicable Entity of the final Segment of the Authorized Improvements, the Developer will maintain proper books of record, which books will be maintained in accordance with sound accounting practices and will be available for inspection

by the City or its agent at any reasonable time during regular business hours upon at least 24 hours' notice, and account for the Authorized Improvements and all costs related thereto; and

(h) The Developer recognizes and accepts its duties and obligations under the Maintenance Agreement and shall dutifully and diligence perform such duties and obligations pursuant to the terms thereof.

Section 6.03. No Boycott of Israel; No Business with Sanctioned Countries

To the extent this Agreement constitutes a contract for goods or services for which a written verification is required under Section 2271.002, Texas Government Code, the Developer hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and will not boycott Israel during the term of this Agreement. The foregoing verification is made solely to enable the City to comply with such Section and to the extent such Section does not contravene applicable Federal law or the Texas Constitution. As used in the foregoing verification, 'boycott Israel,' a term defined in Section 2271.001, Texas Government Code, by reference to Section 808.001(1), Texas Government Code, means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. The Developer understands 'affiliate' to mean an entity that controls, is controlled by, or is under common control with the Developer and exists to make a profit.

The Developer represents that neither it nor any of its respective parent companies, wholly- or majority-owned subsidiaries, and other affiliates, if any, is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer's internet website:

<https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf>,
<https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or
<https://comptroller.texas.gov/purchasing/docs/fto-list.pdf>.

The foregoing representation is made solely to enable the City to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal law and or the Texas Constitution excludes the Developer and any of its respective parent companies, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. The Developer understands "affiliate" to mean any entity that controls, is controlled by, or is under common control with the Developer and exists to make a profit.

Section 6.04. Verification Regarding Energy Company Boycotts.

To the extent this Agreement constitutes a contract for goods or services for which a written verification statement is required under Section 2274.002 (as added by Senate Bill 13 in the 87th Texas Legislative Session), Texas Government Code, as amended, the Developer hereby verifies that it and its parent company, wholly- or majority- owned subsidiaries, and other affiliates, if any, do not boycott energy companies and, will not boycott energy companies during the term of this Agreement. The foregoing verification is made solely to enable the City to comply with such Section and to the extent such Section does not contravene applicable federal law or the Texas Constitution. As used in the foregoing verification, "boycott energy companies," a term defined in Section 2274.001(1), Texas Government Code (as enacted by such Senate Bill) by reference to Section 809.001, Texas Government Code (also as enacted by such

Senate Bill), shall mean, without an ordinary business purpose, refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations with a company because the company (A) engages in the exploration, production, utilization, transportation, sale, or manufacturing of fossil fuel-based energy and does not commit or pledge to meet environmental standards beyond applicable federal and state law; or (B) does business with a company described by (A) above. The Developer understands “affiliate” to mean an entity that controls, is controlled by, or is under common control with the Developer and exists to make a profit.

Section 6.05. Verification Regarding Discrimination Against Firearm Entity or Trade Association.

To the extent this Agreement constitutes a contract for goods or services for which a written verification statement is required under Section 2274.002 (as added by Senate Bill 19 in the 87th Texas Legislature, Regular Session), Texas Government Code, as amended, the Developer hereby verifies that it and its parent company, wholly- or majority- owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not discriminate against a firearm entity or firearm trade association during the term of this Agreement. The foregoing verification is made solely to enable the City to comply with such Section and to the extent such Section does not contravene applicable Federal law or the Texas Constitution.

As used in the foregoing verification and the following definitions,

(a) ‘discriminate against a firearm entity or firearm trade association,’ a term defined in Section 2274.001(3), Texas Government Code (as enacted by such Senate Bill), (A) means, with respect to the firearm entity or firearm trade association, to (i) refuse to engage in the trade of any goods or services with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association, (ii) refrain from continuing an existing business relationship with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association, or (iii) terminate an existing business relationship with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association and (B) does not include (i) the established policies of a merchant, retail seller, or platform that restrict or prohibit the listing or selling of ammunition, firearms, or firearm accessories and (ii) a company’s refusal to engage in the trade of any goods or services, decision to refrain from continuing an existing business relationship, or decision to terminate an existing business relationship (aa) to comply with federal, state, or local law, policy, or regulations or a directive by a regulatory agency or (bb) for any traditional business reason that is specific to the customer or potential customer and not based solely on an entity’s or association’s status as a firearm entity or firearm trade association,

(b) ‘firearm entity,’ a term defined in Section 2274.001(6), Texas Government Code (as enacted by such Senate Bill), means a manufacturer, distributor, wholesaler, supplier, or retailer of firearms (defined in Section 2274.001(4), Texas Government Code, as enacted by such Senate Bill, as weapons that expel projectiles by the action of explosive or expanding gases), firearm accessories (defined in Section 2274.001(5), Texas Government Code, as enacted by such Senate Bill, as devices specifically designed or adapted to enable an individual to wear, carry, store, or mount a firearm on the individual or on a conveyance and items used in conjunction with or mounted on a firearm that are not essential to the basic function of the firearm, including detachable firearm magazines), or ammunition (defined in Section 2274.001(1), Texas Government Code, as enacted by such Senate Bill, as a loaded cartridge case, primer, bullet, or propellant powder with or without a projectile) or a sport shooting range (defined in Section 250.001, Texas Local Government Code, as a business establishment, private club, or association that operates an area for the discharge or other use of firearms for silhouette, skeet, trap, black powder, target, self-defense, or similar recreational shooting), and

(c) ‘firearm trade association,’ a term defined in Section 2274.001(7), Texas Government Code (as enacted by such Senate Bill), means any person, corporation, unincorporated association, federation, business league, or business organization that (i) is not organized or operated for profit (and none of the net earnings of which inures to the benefit of any private shareholder or individual), (ii) has two or more firearm entities as members, and (iii) is exempt from federal income taxation under Section 501(a), Internal Revenue Code of 1986, as an organization described by Section 501(c) of that code.

The Developer understands “affiliate” to mean an entity that controls, is controlled by, or is under common control with the Developer and exists to make a profit.

Section 6.06. Form 1295

Developer has delivered the Certificate of Interested Parties Form 1295 (“**Form 1295**”) and certification of filing generated by the Texas Ethics Commission’s electronic portal, signed by an authorized agent, prior to the execution of this Agreement by the City and Developer. Developer and the City understand that neither the City nor any City representative, consultant, or advisor have the ability to verify the information included in Form 1295, and none of the City or any City employee, official consultant, or advisor have an obligation, nor have undertaken any responsibility, for advising Developer with respect to the proper completion of Form 1295 other than providing the identification numbers required for the completion of Form 1295.

ARTICLE VII. DEFAULT AND REMEDIES

A Party shall be deemed in default under this Agreement (which shall be deemed a breach hereunder) if such Party fails to materially perform, observe or comply with any of its covenants, agreements or obligations hereunder or breaches or violates any of its representations contained in this Agreement, the Completion Agreement, or the Development Agreement.

Before any failure of any Party to perform its obligations under this Agreement shall be deemed to be a breach of this Agreement, the Party claiming such failure shall notify, in writing, the Party alleged to have failed to perform of the alleged failure and shall demand performance. No breach of this Agreement may be found to have occurred if performance has commenced to the reasonable satisfaction of the complaining Party within thirty (30) calendar days of the receipt of such notice (or five (5) calendar days in the case of a monetary default), subject, however, in the case of non-monetary default, to the terms and provisions of subparagraph (c). Upon a breach of this Agreement, the non-defaulting Party in any court of competent jurisdiction, by an action or proceeding at law or in equity, may secure the specific performance of the covenants and agreements herein contained (and/or an action for mandamus as and if appropriate). Except as otherwise set forth herein, no action taken by a Party pursuant to the provisions of this Article VII or pursuant to the provisions of any other Section of this Agreement shall be deemed to constitute an election of remedies and all remedies set forth in this Agreement shall be cumulative and non-exclusive of any other remedy either set forth herein or available to any Party at law or in equity. Each of the Parties shall have the affirmative obligation to mitigate its damages in the event of a default by the other Party. Notwithstanding any provision contained herein to the contrary, the Developer shall not be required to construct any portion of the Authorized Improvements (or take any other action related to or in furtherance of same) while the City is in default under this Agreement.

Notwithstanding any provision in this Agreement to the contrary, if the performance of any covenant or obligation to be performed hereunder by any Party is delayed as a result of circumstances which are beyond the reasonable control of such Party (which circumstances may include, but are not limited to, pending litigation, acts of God, war, acts of civil disobedience, widespread pestilence or disease, pandemic

or epidemic, fire or other casualty, shortage of materials, adverse weather conditions such as, by way of illustration and not limitation, severe rain storms or tornadoes, labor action, strikes, changes in the law affecting the obligations of the Parties hereunder, or similar acts), the time for such performance shall be extended by the amount of time of the delay directly caused by and relating to such uncontrolled circumstances. The Party claiming delay of performance as a result of any of the foregoing “force majeure” events shall deliver written notice of the commencement of any such delay resulting from such force majeure event not later than seven (7) days after the claiming Party becomes aware of the same, and if the claiming Party fails to so notify the other Party of the occurrence of a “force majeure” event causing such delay, the claiming Party shall not be entitled to avail itself of the provisions for the extension of performance contained in this Article.

ARTICLE VIII. GENERAL PROVISIONS

Section 8.01. Notices.

Any notice, communication or disbursement required to be given or made hereunder shall be in writing and shall be given or made by facsimile, hand delivery, overnight courier, or by United States mail, certified or registered mail, return receipt requested, postage prepaid, at the addresses set forth below or at such other addresses as any be specified in writing by any Party hereto to the other parties hereto. Each notice which shall be mailed or delivered in the manner described above shall be deemed sufficiently given, served, sent and received for all purpose at such time as it is received by the addressee (with return receipt, the delivery receipt or the affidavit of messenger being deemed conclusive evidence of such receipt) at the following addresses:

| | |
|------------------|---|
| If to City: | City of Sinton, Texas Attn: City Manager 301 E. Market Sinton, Texas 78387 |
| With a copy to: | McCall, Parkhurst & Horton L.L.P. Attn: Clayton Binford 112 E. Pecan Street, Suite 1310 San Antonio, Texas 78205 |
| If to Developer: | Attn: Wiley McIlwain Somerset Land Company, LLC 13300 Old Blanco Road, Suite 321 San Antonio, Texas 78216 |
| With a copy to: | Winstead PC Attn: Dan Martinez 310 Saint Mary’s Street, Suite 920 San Antonio, Texas 78205 |

Section 8.02. Fee Arrangement

(a) In addition to any Initial PID Costs paid by the Developer prior to the date hereof, all fees of legal counsel related to the District’s creation and the issuance of the applicable PID Bonds including fees for the preparation of customary bond documents and the obtaining of Attorney General approval for the PID Bonds, will be paid at closing from the proceeds of the applicable series of PID Bonds. It is hereby acknowledged and agreed that fees for the City’s bond counsel, Trustee, Trustee’s counsel, Financial

Advisor, Developer's counsel the Underwriter, and Underwriter's counsel will be paid at the Issue Date of the applicable series of PID Bonds.

(b) Pursuant to a separate agreement, the City may contract with a third party to serve as the PID Administrator and to administer the District after closing of the Initial Bonds. The Administrative Expenses shall be collected as part of and in the same manner as Annual Installments in the amounts set forth in the Service and Assessment Plan. Administrative Expenses collected and not expended for actual Administrative Expenses incurred in a particular year shall be carried forward and applied to reduce Administrative Expenses in subsequent years to avoid the over-collection of amounts to pay Administrative Expenses.

Section 8.03. Assignment

(a) This Agreement and the rights and obligations of Developer hereunder may be assigned by Developer upon fifteen (15) calendar days prior written notice to City to (i) any entity which is the successor by merger or otherwise to all or substantially all of Developer's assets and liabilities including, but not limited to, any merger or acquisition pursuant to any public offering or reorganization to obtain financing and/or growth capital; or (ii) any entity which may have acquired all of the outstanding stock or ownership of assets of Developer without the consent of the City, provided that the assignee assumes all of the obligations of Developer hereunder.

(b) For assignments not covered by (a) above, Developer may assign this Agreement from time to time to any party that (i) does not owe delinquent taxes or fees to the City, (ii) is not in material default (beyond any applicable notice and cure period) under any development or financing agreement with the City (iii) has not, in the prior five years, been terminated under any contractual arrangement with the City or been barred from doing business with the City for cause, and (iv) has the experience, expertise and the financial capacity and ability to perform the duties or obligations so assigned under this Agreement. Developer shall provide the City thirty (30) calendar days prior written notice of any such assignment. If the City has objections to such assignment satisfying the requirements described above, the City shall provide written notice of such objections to the Developer within ten (10) calendar days of receiving the assignment notice from Developer. Developer will not be released from its obligations under this Agreement if the City objects to the assignment as described above and such objections are not resolved by and between Developer and the City; provided, however, the City shall not unreasonably withhold Developer's release from its obligations under this Agreement.

(c) Upon any such assignment, Developer shall be deemed to be automatically released of any obligations under this Agreement.

(d) Any assignment must be in writing, set forth the assigned rights and obligations and be executed by the proposed assignee. A copy of the assignment document must be delivered to the City.

(e) Any sale of a portion of the Property or assignment of any right hereunder shall not be deemed a sale or assignment to a Designated Successor or Assign unless the conveyance or transfer instrument effecting such sale or assignment expressly states that the sale or assignment is to its Designated Successors and Assigns.

(f) Any sale of a portion of the Property or assignment of any right hereunder shall not be deemed a Transfer unless the conveyance or transfer instrument effecting such sale or assignment expressly states that the sale or assignment is deemed to be a Transfer.

Section 8.04. No Personal Liability

None of the City’s elected or appointed officials or any of their or the City’s respective officers, employees, consultants, or representatives shall incur any liability hereunder to the Developer or any other party in their individual capacities by reason of this Agreement or their acts or omissions under this Agreement.

Section 8.05. Term of Agreement

This Agreement shall terminate on the date on which the City and Developer discharge all of their respective obligations hereunder. In the case of any termination of this Agreement and/or dissolution of the District, the obligation of any Party to pay any Project Costs expended prior to the termination of this Agreement and/or dissolution of the District and remaining unpaid shall survive such termination and/or dissolution.

Section 8.06. Construction of Certain Terms

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires, the following rules of construction shall apply:

- (a) Words importing a gender do not exclude any other gender.
- (b) Words importing the singular include the plural and vice versa.
- (c) A reference to a document includes an amendment, supplement, or addition to, or replacement, substitution, or novation of, that document but, if applicable, only if such amendment, supplement, addition, replacement, substitution, or novation is permitted by and in accordance with that applicable document.
- (d) Any term defined herein by reference to another instrument or document shall continue to have the meaning ascribed thereto whether or not such other instrument or document remains in effect.
- (e) A reference to any Party includes, with respect to Developer, its Designated Successors and Assigns, and reference to any Party in a particular capacity excludes such Party in any other capacity or individually.
- (f) All references in this Agreement to designated “Articles,” “Sections,” and other subdivisions are to the designated Articles, Sections, and other subdivisions of this Agreement. All references in this Agreement to “Exhibits” are to the designated Exhibits to this Agreement.
- (g) The words “herein,” “hereof,” “hereto,” “hereby,” “hereunder,” and other words of similar import refer to this Agreement as a whole and not to the specific Section or provision where such word appears.
- (h) The words “including” and “includes,” and words of similar import, are deemed to be followed by the phrase “without limitation.”
- (i) Unless the context otherwise requires, a reference to the “Property,” the “Authorized Improvements,” or the “District” is deemed to be followed by the phrase “or a portion thereof.”

(j) Every “request,” “order,” “demand,” “direction,” “application,” “appointment,” “notice,” “statement,” “certificate,” “consent,” “approval,” “waiver,” “identification,” or similar action under this Agreement by any Party shall, unless the form of such instrument is specifically provided, be in writing duly signed by a duly authorized representative of such Party.

(k) The Parties hereto acknowledge that each such party and their respective counsel have participated in the drafting and revision of this Agreement. Accordingly, the Parties agree that any rule of construction that disfavors the drafting party shall not apply in the interpretation of this Agreement.

Section 8.07. Table of Contents; Titles and Headings

The titles of the articles, and the headings of the sections of this Agreement are solely for convenience of reference, are not a part of this Agreement, and shall not be deemed to affect the meaning, construction, or effect of any of its provisions.

Section 8.08. Amendments.

This Agreement may be amended, modified, revised or changed by written instrument executed by the Parties.

Section 8.09. Time

In computing the number of days for purposes of this Agreement, all days will be counted, including Saturdays, Sundays, and legal holidays; however, if the final day of any time period falls on a Saturday, Sunday, or legal holiday, then the final day will be deemed to be the next day that is not a Saturday, Sunday, or legal holiday.

Section 8.10. Counterparts

This Agreement may be executed in any number of counterparts, each of which will be deemed to be an original, and all of which will together constitute the same instrument.

Section 8.11. Entire Agreement

This Agreement contains the entire agreement of the Parties.

Section 8.12. Severability; Waiver

If any provision of this Agreement is illegal, invalid, or unenforceable, under present or future laws, it is the intention of the parties that the remainder of this Agreement not be affected and, in lieu of each illegal, invalid, or unenforceable provision, a provision be added to this Agreement which is legal, valid, and enforceable and is as similar in terms to the illegal, invalid, or enforceable provision as is possible.

Any failure by a Party to insist upon strict performance by the other party of any material provision of this Agreement will not be deemed a waiver or of any other provision, and such Party may at any time thereafter insist upon strict performance of any and all of the provisions of this Agreement.

Section 8.13. Developer as Independent Contractor

In performing under this Agreement, it is mutually understood that the Developer is acting as an independent contractor, and not an agent of the City.

Section 8.14. Supplemental Agreements

Other agreements and details concerning the obligations of the Parties under and with respect to this Agreement are included in the Service and Assessment Plan, the Assessment and SAP Ordinance, each PID Bond Ordinance, and each Indenture.

Section 8.15. Exhibits

The following exhibits are attached to and incorporated into this Agreement for all purposes:

- Exhibit A - Definitions
- Exhibit B - Property
- Exhibit B-1 - District Map
- Exhibit C - Form of Certification for Payment
- Exhibit D - Closing Disbursement Request
- Exhibit E - Authorized Improvements

THE CITY OF SINTON, TEXAS
a Texas political subdivision

By: _____
Name: _____
Title: _____

SOMERSET LAND COMPANY, LLC
a Texas limited liability company

By: _____
Name: _____
Title: _____

Exhibit “A”

DEFINITIONS

Unless the context requires otherwise, and in addition to the terms defined above, each of the following terms and phrases used in this Agreement has the meaning ascribed thereto below:

“Actual Cost(s)” means, with respect to an Authorized Improvement, the demonstrated, reasonable, allocable, and allowable costs of constructing such Authorized Improvement, which Actual Costs may include: (a) the costs for the design, planning, financing, administration, management, acquisition, installation, construction and/or implementation of such Authorized Improvement, including general contractor and construction management fees, if any; (b) the costs of preparing the construction plans for such Authorized Improvement; (c) the fees paid for obtaining permits, licenses or other governmental approvals for such Authorized Improvement; (d) the costs for external professional costs associated with such Authorized Improvement, such as engineering, geotechnical, surveying, land planning, architectural landscapers, advertising, marketing and research studies, appraisals, legal, accounting and similar professional services, and taxes (property and franchise); (e) the costs of all labor, bonds and materials, including equipment and fixtures, incurred by contractors, builders and material men in connection with the acquisition, construction or implementation of the Authorized Improvements, (f) all related permitting, zoning and public approval expenses, architectural, engineering, legal and consulting fees, financing charges, taxes, governmental fees and charges (including inspection fees, permit fees, development fees), insurance premiums and miscellaneous expenses

“Actual Increased Costs” has the meaning given in Section 5.05.

“Actual Increased City Obligation Costs” has the meaning given in Section 5.05.

“Additional Costs” has the meaning given in Section 5.05.

“Additional Bonds” means PID Bonds issued to finance or refinance the Actual Costs of the Authorized Improvements by use of the proceeds therefrom (i) to reimburse the Developer for amounts thereto due and owing pursuant to the Reimbursement Agreement and/or (ii) to pay for such Actual Costs of the Projects remaining to be financed by the Developer pursuant to the Completion Agreement (and which costs are subject to reimbursement as Reimbursable Actual Costs pursuant to the Reimbursement Agreement).

“Administrative Expenses” means the administrative, organization, maintenance and operation costs associated with, or incident to, the administration, organization, maintenance and operation of the District, including, but not limited to, the costs of: (i) creating and organizing the District, including conducting hearings, preparing notices and petitions, and all costs incident thereto, including engineering fees, legal fees and consultant fees, (ii) the annual administrative, organization, maintenance, and operation costs and expenses associated with, or incident and allocable to, the administration, organization, maintenance, and operation of the District and the Authorized Improvements, (iii) computing, levying, billing and collecting Special Assessments or the Annual Installments thereof, (iv) maintaining the record of installments of the Special Assessments and the system of registration and transfer of the PID Bonds, (v) issuing, paying and redeeming the PID Bonds, (vi) investing or depositing of monies, (vii) complying with the PID Act and other laws applicable to the PID Bonds, (viii) each Trustee’s reasonable fees and expenses relating to the PID Bonds, (ix) legal counsel, engineers, accountants, financial advisors, investment bankers or other consultants and advisors, and (x) administering the construction of the Authorized Improvements. Administrative Expenses do not include payment of the actual principal of, redemption premium, if any, and interest on the PID Bonds or any costs of issuance associated with the PID Bonds.

“Agreement” has the meaning given in the introductory paragraph to this Agreement.

“Annual Installments” shall have the meaning given in the Service and Assessment Plan.

“Annual Service Plan Update” has the meaning ascribed thereto in the Service and Assessment Plan.

“Applicable Entity” has the meaning given in Section 3.01(a).

“Applicable Indenture” means an Indenture authorizing a particular series of PID Bonds.

“Applicable Project Fund” means the Project Fund established and maintained under each Applicable Indenture.

“Applicable Trustee” means the Trustee under an Applicable Indenture.

“Appraisal” means an appraisal of the Property (or such applicable portion thereof) prepared by an Appraiser.

“Appraiser” means a duly qualified, licensed appraiser in the State of Texas selected by the City to perform appraisal services relative to the District, initially being Flato Realty Advisors, LLC.

“Assessed Property” means any property that benefits from the Authorized Improvements within the District on which Special Assessments have been imposed as shown in the Assessment Rolls, as the Assessment Rolls are updated each year by the Annual Service Plan Update. Assessed Property includes Parcels within the District other than Non-Benefited Property.

“Assessment and SAP Ordinance” means Ordinance No. _____, adopted by the City Council on January 18, 2022 concurrently with its approval of this Agreement, pursuant to which the City adopted the Service and Assessment Plan and imposed Special Assessments on Assessed Property to produce Special Assessment Revenues to secure the repayment of the PID Bonds and the Reimbursement Obligation.

“Assessment Roll” means the Assessment Roll of such name attached to Appendix G of the Service and Assessment Plan, as updated, modified or amended from time to time in accordance with the procedures set forth herein and in the PID Act or in connection with any Annual Service Plan Update.

“Association Regulations” has the meaning given in Section 2.01(e)(i).

“Attorney General” means the Office of the Attorney General of the State of Texas.

“Authorized Improvements” mean those public improvements described in the Service and Assessment Plan and Section 372.003 of the PID Act, acquired, constructed and installed in accordance with the Service and Assessment Plan as amended and/or updated from time to time.

“Available Sources of Payment” has the meaning given in Section 4.01.

“Bond Issuance Costs” means costs relating to the authorization, sale and issuance of the PID Bonds including printing costs; costs of reproducing and binding documents; closing costs; filing and recording fees; initial fees, expenses and charges of the Trustee; expenses incurred by the City or Developers in connection with the issuance of the PID Bonds; Financial Advisor fees; the bond (underwriter’s) discount or underwriting fee; legal fees and charges, including bond counsel; charges for

execution, transportation and safekeeping of the PID Bonds; and other costs, charges and fees in connection with the issuance of the PID Bonds.

“Bond Issuance Request” means written request made by Developer to the City in good faith as evidenced by the Developer’s expenditure of necessary amounts for financial analysis, appraisals, legal counsel, and other professional services and due diligence necessary to support the request to the full degree that the City Council may act on it and levy and impose Special Assessments and issue PID Bonds.

“Certification for Payment” means the certificate in the form depicted on Exhibit “C” attached hereto.

“City” means the City of Sinton, Texas.

“City Council” has the meaning given in the introductory paragraph to this Agreement.

“City Obligation” has the meaning given in Section 5.05.

“City Resolution” means Resolution No. _____ adopted by the City Council January 18, 2022 authorizing its executing and entering into this Agreement, and the Completion Agreement.

“Closing Disbursement Request” has the meaning given in Section 4.04, generally in the form attached hereto as Exhibit “D”.

“Co-Developer” has the meaning given in Section 4.02.

“Completion Agreement” means that certain “Completion Agreement”, dated as of January 1, 2022, among the City, UMB Bank, N.A., as Trustee for the Initial PID Bonds, and the Developer, as the same may be amended, modified, extended, or supplemented from time to time.

“Construction Manager” means initially the Developer, and thereafter subject to change in accordance with Section 3.02(a) of this Agreement.

“City Obligation” has the meaning given in Section 5.05.

“Designated Successors and Assigns” shall mean an entity described in Section 8.03(a) or (b) to whom Developer assigns (in writing) its rights and obligations contained in this Agreement pursuant to Section 8.03 related to all or a portion of the Property.

“Developer” has the meaning given in the introductory paragraph to this Agreement.

“Developer Expended Funds” has the meaning given in Section 4.04.

“Development Agreement” means that certain “Amended and Restated Development Agreement”, dated as of January 18, 2022, by and between the City and the Developer, as the same may be amended, modified, extended, or supplemented from time to time.

“District” has the meaning given in the recitals to this Agreement.

“Effective Date” has the meaning given in the introductory paragraph to this Agreement.

“Engineer’s Opinion of Probable Cost” means an opinion of probable construction cost of an Authorized Improvement provided by the Project Engineer, made on the basis of information available

thereto and on the basis of the Project Engineer’s experience and qualifications and represents its judgment as an experienced and qualified engineer.

“Estimated Additional Costs” has the meaning given in Section 5.05.

“Estimated Additional City Obligation Costs” has the meaning given in Section 5.05.

“Financial Advisor” means SAMCO Capital Markets, Inc.

“Form 1295” has the meaning given in Section 6.04.

“Initial PID Bonds” means those certain City of Sinton, Texas Special Assessment Revenue Bonds, Series 2022 (Somerset Public Improvement District No. 1) that are secured by Special Assessments levied on Assessed Property.

“Indenture” means an indenture of trust, trust agreement, ordinance or similar document between the City and Trustee setting forth the terms and other provisions relating to a series of PID Bonds, as modified, amended, and/or supplemented from time to time.

“Initial PID Bonds and Reimbursement Agreement Ordinance” means Ordinance No. _____ adopted by the City Council on January 18, 2022 authorizing the respective issuance of the Initial PID Bonds and the City’s execution of the Reimbursement Agreement.

“Initial PID Costs” means costs incurred by the Developer in connection with the District’s establishment and issuance of the Bonds, but not directly related to any Bond issuance (including negotiation and execution of the Development Agreement and appraisal of District property).

“Interest” shall mean the interest rate charged for the applicable PID Bonds or such other interest rate as may be required by applicable law or otherwise defined in the Reimbursement Agreement.

“Investment Grade Rating” means a rating on PID Bonds, assigned by a Rating Agency in one of such Rating Agency’s four highest categories for long-term debt instruments (without regard for gradation within a rating category and without regard for credit enhancement unless such credit enhancement extends through the final maturity date of the applicable PID Bonds) or otherwise designated as investment grade by a Rating Agency.

“Issue Date” means the date of the initial delivery of the applicable series of PID Bonds.

“Landowner Agreement” means an agreement described in Section 2.04.

“Maintenance Agreement” means the agreement between the City and the Owners’ Association pursuant to which the Owners’ Association assumes responsibility for operating and maintaining certain Authorized Improvements as further described in the Development Agreement.

“Non-Benefitted Property” means Parcels within the boundaries of the District that accrue no special benefit from Authorized Improvements, as determined by City Council, including Parcels owned by a public entity. A Parcel is not assessed if the Parcel is identified as Non-Benefitted Property at the time the Special Assessments (i) are levied or (ii) are reallocated pursuant to an amendment to the Service and Assessment Plan.

“Notice” means any notice, writing, or other communication given under this Agreement.

“Owners’ Association” means one or more homeowner’s association or property owner’s association.

“Parcel” means a property identified by either a tax map identification number assigned by the San Patricio County Appraisal District for real property tax purpose, by metes and bounds description, by lot and block number in a final subdivision plat recorded in the Official Public Records of San Patricio County, or by any other means determined by the City.

“Party” or “Parties” has the meaning given in the introductory paragraph to this Agreement.

“Payment Request” means the process for the Developer’s request for payment of Actual Costs of Authorized Improvements, whether by direct payment or through reimbursement, from Available Sources of Payment, as evidenced by Developer’s submission of a Certification of Payment pursuant to Section 4.03.

“PID Act” means Chapter 372, Texas Local Government Code, as amended.

“PID Administrator” means the City or an employee or designee of the City, including a third party designee whom the City designates by contract, who shall have the responsibilities provided for herein and in the Service and Assessment Plan. The initial PID Administrator is Municap, Inc.

“PID Bond Ordinance” means and refers to the ordinance or ordinances of the City Council that will authorize and approve the issuance and sale of one or more series of PID Bonds and provide for their security and payment under the terms of the Applicable Indenture related to such series of PID Bonds, including the Initial PID Bonds and Reimbursement Agreement Ordinance.

“PID Bond Security” means the funds that are to be pledged in or pursuant to the applicable PID Bond Ordinance and the Applicable Indenture to the payment of the debt service requirements on the particular series of PID Bonds, consisting of Special Assessments Revenues, including earnings and income derived from the investment or deposit of Special Assessments Revenues, in the special funds or accounts created and established in the Applicable Indenture for the payment of and pledged as security for the particular series of PID Bonds, unless such earnings are required to be deposited into a rebate fund for payment to the federal government.

“PID Bonds” means the Initial PID Bonds and any series of Additional Bonds.

“Project” has the meaning given in the recitals to this Agreement.

“Project Costs” means the total of all Actual Costs.

“Project Engineer” means the civil engineer or firm of civil engineers selected by the Developer to perform the duties set forth herein, which is initially _____.

“Project Fund” means the separate and unique fund established by the City under such name pursuant to the Applicable Indenture.

“Property” has the meaning given in the recitals to this Agreement.

“Rating Agency” means each of Moody's Investors Service, Inc., S&P Global Ratings, Fitch Ratings Inc., any other nationally recognized statistical rating organization recognized as such by the United States Securities and Exchange Commission.

“QTEO” has the meaning given in Section 5.05.

“Refunding Bonds” means City bonds issued to refund the Initial PID Bonds, Additional Bonds, or then-Outstanding Bonds previously issued to refund the Initial PID Bonds or Additional Bonds.

“Reimbursable Actual Cost(s)” has the meaning given in Section 2.02(e)

“Reimbursement Agreement” means that certain The Somerset Public Improvement District No. 1 Reimbursement Agreement, dated contemporaneously herewith, by and between the City and the Developer in which the City agrees to reimburse the Developer for a portion of the Actual Costs of the improvements funded by the Developer pursuant to the Completion Agreement, with interest, as permitted by the PID Act.

“Segment” or “Segments” means the discrete portions of the Authorized Improvements.

“Service and Assessment Plan” means the Somerset Public Improvement District No. 1 Service and Assessment Plan (as may be (and is in fact anticipated to be) supplemented, amended, or amended and restated from time to time), to be initially adopted by the City Council pursuant to the Assessment and SAP Ordinance, for the purpose of assessing allocated Actual Costs against property located within the boundaries of the District having terms, provisions and findings approved and agreed to by the Developer, as required by Article II of this Agreement.

“Special Assessments” means an assessment levied against, or imposed upon, a Parcel pursuant to the Assessment and SAP Ordinance and the provisions herein, as shown on any Assessment Roll, subject to reallocation upon the subdivision of such Parcel or reduction according to the provisions herein and the PID Act.

“Special Assessment Revenues” means the monies collected from Special Assessments, including supplemental assessments and reassessments, interest, expenses, or penalties on Special Assessments, prepayments, foreclosure proceeds, and proceeds from a guarantor, if any, of the Special Assessments.

“State” means the State of Texas.

“Transfer” has the meaning given in Section 2.05(c).

“Transferee” has the meaning given in Section 2.05(c).

“Trustee” means the trustee under the Indentures, and any successor thereto permitted under the Indentures and any other Trustee under a future Indenture.

“Underwriter” means the underwriter or syndicate of underwriters that purchases, in a negotiated sale, a series of PID Bonds. The initial Underwriter is FMS Bonds, Inc.

EXHIBIT "B"

PROPERTY

A 177.36 Acre tract of land being comprised of a portion of a 122.77 Acre tract, a 77.24 Acre tract and a 514.98 Acre tract as described by deed recorded in Volume 109, Page 435 Deed Records of San Patricio County, Texas, said 177.36 acre tract being more fully described by metes and bounds to wit as follows:

Beginning, at a 5/8 inch iron Rod with red plastic cap stamped "URBAN ENG CCTX" Set, at the intersection of the Southwest right-of-way line of State Highway 89 (US 181) and the North boundary line of the said 122.77 Acre tract, for the Northeast corner of this Tract and the POINT OF BEGINNING;

Thence, South 28°55'06" East, with the said Southwest right-of-way line of State Highway 89, over and across the said 122.77 Acre tract, a distance of 190.79 Feet, to a TXDOT Type II Monument Found, for a corner of this Tract;

Thence, South 24°54'49" East, continuing with the said Southwest right-of-way line of State Highway 89, over and across the said 122.77 and 77.24 acre tracts, at 181.16 Feet, pass a 5/8 inch Iron Rod with a plastic cap stamped "RPLS 1907" Found, in all a distance of 1,342.31 Feet, to a TXDOT Type II Monument Found, for a corner of this Tract;

Thence, South 20°54'49" East, continuing with the said Southwest right-of-way line of State Highway 89, over and across the said 77.24 and 514.98 Acre tracts, a distance of 1,733.57 Feet to a 5/8 Inch Iron Rod with red plastic cap stamped "URBAN ENG CCTX" Set, for a corner of this Tract;

Thence, South 34°41'01" West, continuing with the said Southwest right-of-way line of State Highway 89, over and across said 514.98 Acre tract to a point on the North right-of-way line of State Highway 188, a distance of 113.00 Feet, to a 5/8 Inch Iron Rod with red plastic cap stamped "URBAN ENG CCTX" Set, for the Southeast corner of this Tract;

Thence, North 89°43'09" West, with the said North right-of-way of State Highway 188, over and across the said 514.98 Acre tract, a distance of 1,986.86 Feet, to a point from whence a 5/8 Inch Iron Rod Found, bears North 02°02'55" West, a distance of 1.30 Feet, for the Southeast corner of Lot 1, Odem Subdivision Unit 5, a map of which is recorded in Volume 13, Pages 100-101, of Map Records of San Patricio County, Texas, and for an outside ell corner of this Tract;

Thence, North 00°28'31" West, departing the said North right-of-way line of State Highway 188, with the East line of said Lot 1, over and across the said 514.98 Acre tract, a distance of 756.33 Feet, to a 5/8 Inch Iron Rod Found, for the Northeast corner of the said Lot 1, and for an inside ell corner of this Tract;

Thence, North 89°38'16" West, with the North line of the said Lot 1, over and across the said 514.98 Acre tract, a distance of 400.00 Feet, to a 5/8 Inch Iron Rod with red plastic cap stamped

“URBAN ENG CCTX” Set, for the Northwest corner of the said Lot 1, and for an inside ell corner of this Tract;

Thence, South 00°28’31” East, with the West line of the said Lot 1, over and across 514.98 Acre tract, a distance of 556.89 Feet, to a 5/8 Inch Iron Rod with red plastic cap stamped “URBAN ENG CCTX” Set, for the Northeast corner of a 0.85 Acre tract, out of lots 2 & 3 of the said Odem Subdivision and more particularly described in Document Number 561549 of the Official Public Records of San Patricio County, Texas, and for an outside ell corner of this Tract;

Then, North 89°38’32” West, with the North line of the said 0.85 Acre tract, over and across the said 514.98 Acre tract, a distance of 185.01 Feet, to a 5/8 Inch Iron Rod with red plastic cap stamped “URBAN ENG CCTX” Set, for the Northwest corner of the said 0.85 Acre tract, and for an inside ell corner of this Tract;

Then, South 00°28’31” East, with the West line of the said 0.85 Acre tract, over and across the said 514.98 Acre tract, a distance of 200.25 Feet, to a 5/8 Inch Iron Rod with red plastic cap stamped “URBAN ENG CCTX” Set, for the Southwest corner of the said 0.85 Acre tract, a point on the said North right-of-way line of State Highway 188, and for an outside ell corner of this Tract;

Thence, North 89°43’09” West, with the said North right-of-way line of State Highway 188, over and across the said 514.98 Acre tract, a distance of 197.95 Feet, to a 5/8 Inch Iron Rod with red plastic cap stamped “URBAN ENG CCTX” Set, for the Southeast corner of a 2.2977 Acre tract out the A. Herron Survey Abstract 166, described by deed recorded in Document Number 678459 of the Official Public Records of San Patricio County, Texas, and for the Southwest corner of this Tract;

Thence, North 00°30’54” West, departing the said North right-of-way line of State Highway 188, over and across the said 514.98 Acre tract, a distance of 392.63 Feet, to a 5/8 Inch Iron Rod Found, for the Northeast corner of the said 2.2977 Acre tract, a point on the South line of a tract being a portion of the A. Herron Survey Abstract 166, being described in Document Number 539094 of the Official Public Records of San Patricio County, Texas, and for an outside ell corner of this Tract;

Thence, North 89°56’26” East, over and across the said 514.98 Acre tract, a distance of 140.96 Feet, to a 5/8 Inch Iron Rod with red plastic cap stamped “URBAN ENG CCTX” Set, the Southeast corner of the said portion of the A. Herron Survey Abstract 166, and for an inside ell corner of this Tract;

Thence, North 00°25’34” West, with the East line of the said portion of the A. Herron Survey Abstract 166, over and across the said 514.98 Acre tract, a distance of 390.12 Feet, to a 5/8 Inch Iron Rod with red plastic cap stamped “URBAN ENG CCTX” Set, for the Northeast corner of the said portion of the A. Herron Survey Abstract 166, and for an inside ell corner of this Tract;

Thence, South 89°56’26” West, with the North line of the said portion of the A. Herron Survey Abstract 166, over and across the said 514.98 Acre tract, a distance of 390.80 Feet, to a 5/8 Inch Iron Rod with red plastic cap stamped “URBAN ENG CCTX” Set, for the Northwest corner of the said portion of the A. Herron Survey Abstract 166, a point on the East line of a 45 foot wide road

access easement described in Document Number 178021 of the Deed Records of San Patricio County, Texas, and for an outside ell corner of this Tract;

Thence, North 00°28'01" West, with the East line of the said 45 foot wide road access easement, over and across the said 514.98 Acre, 77.24 Acre, and 122.77 Acre tracts, a distance of 1,319.85 Feet, to a 5/8 Inch Iron Rod with red plastic cap stamped "URBAN ENG CCTX" Set, for the Northeast corner of said 45 foot wide road access easement, and for an inside ell corner of this Tract;

Thence, South 89°53'49" West, with the North Line of 45 foot wide road access easement, over and across the said 122.77 Acre tract, a distance of 1,367.92 Feet, to a 5/8 Inch Iron Rod with red plastic cap stamped "URBAN ENG CCTX" Set, for the Northwest corner of the said 45 foot wide road access easement, a point on the Westerly East line of a 60 foot wide road access easement, described in Document Number 334258 of the Deed Records of San Patricio County, Texas, a point on the West line of this Tract, and for an outside ell corner of this Tract;

Thence, North 00°06'11" West, with the Westerly East line of the said 60 foot wide road access easement, over and across the said 122.77 Acre tract, a distance of 492.34 Feet, to a 5/8 Inch Iron Rod with red plastic cap stamped "URBAN ENG CCTX" Set, for an inside ell corner of the said 60 foot wide road access easement, and for the Northwest corner of this Tract;

Thence, North 81°15'34" East, with the common line of the said 60 foot wide road access easement, and the North line of this Tract, a distance of 3,230.91 Feet, to the POINT of BEGINNING and containing 177.36 Acres (7,725,729 Sq. Ft.) of Land more or less.

Exhibit “B-1”

District Map

[To Come]

Exhibit “C”

**Form Of Certification For Payment
(Somerset Public Improvement District No. 1)**

Certification No. _____

_____ (“**Construction Manager**”) hereby requests payment (a) for the percentage of design costs completed (the “**Design Actual Costs**”), as further described in Attachment A-1 attached hereto and (b) of the Actual Cost of the work (the “**Construction Draw Actual Costs**”), as further described in Attachment A-2 attached hereto. Capitalized undefined terms shall have the meanings ascribed thereto in Somerset Public Improvement District No. 1 Financing Agreement among Somerset Land Company, LLC (the “**Developer**”) and the City of Sinton, Texas (the “**City**”) dated as of January 1, 2022. In connection with this Certification for Payment, the undersigned, in his or her capacity as the _____ of Construction Manager, to his or her knowledge, hereby represents and warrants to the City as follows:

1. The undersigned is an authorized representative of Construction Manager, is qualified to execute this request for payment on behalf of the Construction Manager, and is knowledgeable as to the matters forth herein.

2. The true and correct (a) Design Actual Costs for which payment is requested, or has already been paid by Construction Manager, is set forth in Attachment A-1 and/or (b) Construction Draw Actual Costs for which payment is requested is set forth in Attachment A-2, and payment for such requested amounts and purposes has not been subject to any previously submitted request for payment.

3. The amount listed for the Authorized Improvements below is a true and accurate representation of the Actual Costs associated with the acquisition, or construction of those Authorized Improvements and such costs are in compliance with (a) the Somerset Public Improvement District No. 1 Financing Agreement between the Developer and the City (the “**PID Financing Agreement**”), and (b) the Service and Assessment Plan.

4. The Developer is in compliance with the terms and provisions of the PID Financing Agreement and the Service and Assessment Plan.

5. The Developer has timely paid all ad valorem taxes and Annual Installments of Special Assessments it owes, or that entity under common control with the Developer owes, located in Somerset Public Improvement District No. 1 and has no outstanding delinquencies for such assessments.

6. The Developer has, in particular, complied with Section 3.01(b) of the PID Financing Agreement, as set forth therein. Namely, prior to the commencement of acquisition or construction efforts regarding the below Authorized Improvements, the Developer: (i) identified _____ as the Applicable Entity (the “**Applicable Entity**”) to whom such Authorized Improvements will be dedicated upon such Authorized Improvements’ acquisition or completed construction, (ii) has, to the extent the Applicable Entity is one other than the City, determined the terms by which such Applicable Entity shall accept the dedication of the Authorized Improvements, and has provided the City, in connection therewith, with written evidence of such Applicable Entity’s acceptable terms (such written terms being resubmitted to the City with the submission of this Certification for Payment), and (iii) has delivered to the City, as applicable with respect to the Authorized Improvements, evidence of approval of the Applicable Entity to whom such Authorized

Improvements will be dedicated of the plans and specifications pursuant to which such Authorized Improvements will be constructed, accompanied by any permits or governmental approvals that are necessary to complete such construction or acquisition and evidence of any and all payment and performance bonds and insurance policies related to any of the foregoing as required by the provisions of the PID Financing Agreement (such evidence being resubmitted to the City with the submission of this Certification for Payment).

7. The work with respect to the Authorized Improvements referenced below has been completed in accordance with the plans therefor, and the Applicable Entity to whom the Authorized Improvements will be dedicated has inspected the same. The design work described in Attachment A-1 has been completed in the percentages stated therein.

8. No more than ninety-five percent (95%) of the budgeted or contracted hard costs for the Authorized Improvements identified may be paid until the work with respect to such Authorized Improvements has been completed and the City has accepted such Authorized Improvements. One hundred percent (100%) of soft costs (e.g. engineering costs, inspection fees, and the like) may be paid prior to the City's acceptance of such Authorized Improvement.

9. Attached hereto as Attachment B is a true and correct copy of a bills paid affidavit evidencing that any contractor or subcontractor having performed (a) design work described in Attachment A-1 and/or (b) work on an Authorized Improvement described in Attachment A-2 has been paid in full for all work completed through the previous Certification for Payment.

10. Attached hereto as Attachment C are invoices, receipts, worksheets and other evidence of costs which are in sufficient detail to allow the City to verify the (a) Construction Draw Costs of each Authorized Improvement and/or (b) Design Costs for which payment is requested.

11. Any required lender consents or approvals are attached hereto as Attachment D.

12. The payment that is the subject of this Certificate shall be paid from the following available sources of payment in the indicated amounts:

- a. PID Bond Proceeds: \$_____
- b. Special Assessment Revenue or Deposit in Excess Collections Fund: \$_____
- c. Developer funds under Completion Agreement (reimbursable to the Developer from Reimbursement Fund pursuant to the Reimbursement Agreement): \$_____

13. Payments previously requested and paid under prior Certifications for Payment are as follows:

| Certification No. | Date Approved by City | Amount Requested | Amount Paid |
|----------------------|--------------------------|------------------|-------------|
|----------------------|--------------------------|------------------|-------------|

14. The Developer hereby certifies that, as of the date hereof: (i) the representations and warranties made by the Developer herein and in the PID Financing Agreement are and remain true, accurate and complete, (ii) there exists no default or event of default under the PID Financing Agreement, and (iii) the Developer is unaware of a fact, condition, or circumstance that could result, or with the passage of time will result, in a default or event of default under the PID Financing Agreement.

[Signature Page Follows]

I hereby declare that the above representations and warranties are true and correct.

**SOMERSET LAND COMPANY, LLC
CONSTRUCTION MANAGER**

By: _____
Name: _____
Title: _____

JOINDER OF PROJECT ENGINEER

The undersigned Project Engineer joins this Certification for Payment solely for the purposes of certifying that (i) the Project Engineer has conducted a review, the result of which confirm that the subject Authorized Improvements were constructed in accordance with the plans and specifications therefor, and (ii) the representations made by Construction Manager in Paragraph 2 above are true and correct in all material respects.

By: _____

Name: _____

Title: _____

ATTACHMENT A-1
TO CERTIFICATION FOR PAYMENT FORM NO. _____
(DESIGN ACTUAL COSTS)

| <u>Segment</u> | <u>Description of Work Completed under this Certification for Payment</u> | <u>Costs</u> |
|----------------|---|--------------|
|----------------|---|--------------|

ATTACHMENT A-2
TO CERTIFICATION FOR PAYMENT FORM NO. _____
(CONSTRUCTION DRAW ACTUAL COSTS)

| <u>Segment</u> | <u>Description of Work Completed under this Certification for Payment</u> | <u>Costs</u> |
|----------------|---|--------------|
|----------------|---|--------------|

ATTACHMENT B TO CERTIFICATION FOR PAYMENT FORM NO. _____

[Include Attachment B bracketed if final progress payment for such Authorized Improvement]

[bills paid affidavit and release of liens - attached]

ATTACHMENT D TO CERTIFICATION FOR PAYMENT FORM NO. _____

[lender consents or approvals - attached]

Exhibit “D”

CLOSING DISBURSEMENT REQUEST

The undersigned is a lawfully authorized representative for Somerset Land Company, LLC (the “**Developer**”) and requests payment from the Costs of Issuance Account of the Project Fund (as defined in Somerset Public Improvement District No. 1 Financing Agreement) from _____ (the “**Bond Trustee**”) in the amount of _____ (\$_____) to be transferred from the [Cost of Issuance Account of the Project Fund] upon the delivery of the [title of bonds] (the “**Bonds**”) for costs incurred relating to the issuance and sale of the Bonds for the Somerset Public Improvement District No. 1 (the “**District**”), as follows.

In connection to the above referenced payment, the Developer represents and warrants to the City as follows:

1. The undersigned is a duly authorized officer of the Developer and is qualified to execute this Closing Disbursement Request on behalf of the Developer, and is knowledgeable as to the matters set forth herein.

2. The payment requested for the below referenced costs of issuance at the time of the delivery of the Bonds has not been the subject of any prior payment request submitted to the City.

3. The amount listed for the below itemized costs is a true and accurate representation of the costs of issuance incurred by Developer at the time of the delivery of the Bonds, and such costs are in compliance with the Service and Assessment Plan. The itemized costs are as follows:

[insert itemized list of costs here]

TOTAL REQUESTED: \$_____

4. The Developer is in compliance with the terms and provisions of the Somerset Public Improvement District No. 1 Financing Agreement, the applicable Indenture, and the Service and Assessment Plan.

5. All conditions set forth in the Applicable Indenture for the payment hereby requested have been satisfied.

6. The Developer agrees to cooperate with the City in conducting its review of the requested payment and agrees to provide additional information and documentation as is reasonably necessary for the City to complete its review.

Payments requested hereunder shall be made as directed below:

[Information regarding Payee, amount, and deposit instructions]

I hereby declare that the above representations and warranties are true and correct.

SOMERSET LAND COMPANY, LLC

A Texas limited liability company

By: _____

APPROVAL OF REQUEST BY CITY

The City is in receipt of the attached Closing Disbursement Request. After reviewing the Closing Disbursement Request, the City approves the Closing Disbursement Request and shall include said payments in the Certificate submitted to the Bond Trustee directing payments to be made from Costs Issuance Account of the Project Fund upon delivery of the Bonds.

THE CITY OF SINTON, TEXAS

By: _____
Name: _____
Title: _____

Date: _____

**EXHIBIT ‘E’
AUTHORIZED IMPROVEMENTS**

| General Description of Authorized Improvement | Entity to which Authorized Improvement will be conveyed or dedicated |
|--|---|
| Roadway Improvements | City |
| Water Distribution system Improvements | City |
| Sanitary sewer collection system improvements | City |
| Stormwater drainage | San Patricio County Drainage District |

[THIS PAGE INTENTIONALLY LEFT BLANK]

